

TIME WARNER INC.
Form 10-K
February 26, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

Commission file number 001-15062

TIME WARNER INC.

(Exact name of Registrant as specified in its charter)

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

13-4099534
*(I.R.S. Employer
Identification No.)*

One Time Warner Center

New York, NY 10019-8016

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(Address of Principal Executive Offices)(Zip Code)

(212) 484-8000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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, 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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
Non-accelerated filer

Accelerated filer
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

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As of the close of business on February 19, 2015, there were 830,521,982 shares of the registrant's Common Stock outstanding. The aggregate market value of the registrant's voting and non-voting common equity securities held by non-affiliates of the registrant (based upon the closing price of such shares on the New York Stock Exchange on June 30, 2014) was approximately \$58.28 billion.

Documents Incorporated by Reference:

Description of document	Part of the Form 10-K
Portions of the definitive Proxy Statement to be used in connection with the registrant's 2015 Annual Meeting of Stockholders	Part III (Item 10 through Item 14) (Portions of Items 10 and 12 are not incorporated by reference and are provided herein)

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PART I

Item 1. Business.

Time Warner Inc. (the Company or Time Warner), a Delaware corporation, is a leading media and entertainment company. The Company classifies its businesses into the following three reportable segments:

Turner, consisting principally of cable networks and digital media properties;

Home Box Office, consisting principally of premium pay television services domestically and premium pay and basic tier television services internationally; and

Warner Bros., consisting principally of television, feature film, home video and videogame production and distribution.

For more information about the Company's reportable segments, see Management's Discussion and Analysis of Results of Operations and Financial Condition Overview.

At December 31, 2014, the Company had a total of approximately 25,600 employees.

For convenience, the terms the Company, Time Warner and the Registrant are used in this report to refer to both the parent company alone and collectively to the parent company and the subsidiaries through which its various businesses are conducted, unless the context requires otherwise. In addition, the term Home Box Office is used to refer to Home Box Office, Inc., a subsidiary of Time Warner, the term Turner is used to refer to Turner Broadcasting System, Inc., a subsidiary of Time Warner and the term Warner Bros. is used to refer to Warner Bros. Entertainment Inc., a subsidiary of Time Warner.

On June 6, 2014, the Company completed the legal and structural separation of Time Inc. from the Company (the Time Separation). With the completion of the Time Separation, the Company disposed of the Time Inc. segment in its entirety. See Management's Discussion and Analysis of Results of Operations and Financial Condition for additional information.

Caution Concerning Forward-Looking Statements and Risk Factors

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events or otherwise. Time Warner's actual results may vary materially from those expressed or implied by the statements in this report due to changes in economic, business, competitive, technological, strategic and/or regulatory factors and other factors affecting the operation of Time Warner's businesses. For more detailed information about these factors and risk factors with respect to the Company's

operations, see Item 1A, Risk Factors, and Management's Discussion and Analysis of Results of Operations and Financial Condition Caution Concerning Forward-Looking Statements.

Available Information and Website

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed with or furnished to the Securities and Exchange Commission (the SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge on the Company's website at www.timewarner.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The Company is providing the address to its website solely for the information of investors. The Company does not intend the address to be an active link or to incorporate any information included on or accessible through its website into this report.

TURNER

Turner owns and operates a leading portfolio of domestic and international cable television networks and related properties that offer entertainment, sports, kids and news programming on television and digital platforms for consumers

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around the world. Turner operates more than 165 channels globally. In the U.S., its networks and related properties include TNT, TBS, Adult Swim, truTV, Turner Classic Movies, Turner Sports, Cartoon Network, Boomerang, CNN and HLN. Outside the U.S., Turner's broad portfolio of brands and digital businesses reaches consumers in more than 200 countries.

Turner's programming is distributed by cable system operators, satellite service distributors, telephone companies and other distributors (known as affiliates) and is available to subscribers of the affiliates for viewing (i) on television, (ii) via streaming online and on mobile devices through Turner's digital properties and services provided by affiliates and (iii) on demand on television through Turner's digital properties and affiliates' digital VOD services. Some of Turner's programming is also available through SVOD services. Turner has been expanding the amount of programming available to subscribers on demand on television and digital properties to include complete current seasons of popular programming from Turner's portfolio of networks. As of December 31, 2014, Turner's programming was available on demand and for streaming to approximately 87 million U.S. television households that subscribed to multichannel video services (as reported by Nielsen Media Research).

Turner is continuing to increase its scale and strengthen its competitive position internationally through strategic regional channel launches, partnerships and acquisitions in key territories. In addition, Turner is placing greater emphasis on creating local programming to strengthen its brands internationally. Historically, Turner has managed its international entertainment and kids networks separately from its domestic networks, but it is transitioning its kids businesses to a more globally managed operation, similar to its news business.

Turner's digital properties consist of its own websites and websites that Turner manages and/or operates for others. Turner's CNN digital network is a leading digital news destination, and Turner's *bleacherreport.com* is the number two digital sports destination, in each case, based on the number of average monthly domestic multi-platform unique visitors for the year ended December 31, 2014. Turner's other websites include *tntdrama.com*, *TBS.com*, *adultswim.com* and *cartoonnetwork.com*. Digital properties that Turner manages and/or operates for others include *NBA.com*, *NBA Mobile*, *NCAA.com* and *PGA.com*. Turner's digital properties collectively averaged approximately 124 million average monthly domestic multi-platform unique visitors (based on data sourced from comScore Media Metrix) during the year ended December 31, 2014.

Turner's businesses consist of entertainment, sports, kids and news programming on television and digital platforms, which are described below.

Domestic Entertainment

Turner's domestic entertainment networks collectively provide a blend of original series, acquired series and movies, sports, classic film and reality programming. For the year ended December 31, 2014, Turner's TNT and TBS were two of the top five primetime advertising-supported cable networks among adults 18-49 in the U.S., and Adult Swim was the top total day advertising-supported cable network among adults 18-34 in the U.S. Turner is focused on optimizing the mix of original series and acquired programming on its domestic entertainment networks to strengthen its brands with its audiences, advertisers and affiliates. In addition, Turner is investing in distinctive original programming for its TNT, TBS and truTV networks that will appeal to younger audiences. Turner also plans to increase the amount of original programming on TNT and TBS over the next several years. Ownership of a larger portion of its content will enable Turner to take advantage of increasing licensing opportunities for that content and distribute the content across international territories. Turner's digital properties in entertainment include *tntdrama.com*, *TBS.com* and *adultswim.com*.

TNT

TNT focuses on drama and is home to syndicated series and a growing roster of original series (including unscripted series), as well as sports and network premiere motion pictures. For the 2014-2015 season, TNT's returning original series include *Cold Justice*, *Falling Skies*, *Major Crimes* and *Rizzoli & Isles*, and its new original series include *The Last Ship*, *Legends*, *The Librarians*, *Murder in the First*, *On the Menu*, *Proof*, *Public Morals*, *Transporter: The Series* and *Wake Up Call*. For the 2014-2015 season, TNT's syndicated series include *Bones*, *Castle* and *Grimm*.

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TBS

TBS focuses on contemporary comedies, as well as a growing roster of original series, sports and acquired television series and motion pictures. For the 2014-2015 season, TBS' returning original series include *American Dad!*, *Deal With It* and *King of the Nerds*, and its new original series include *Angie Tribeca*, *Buzzys* and *Your Family or Mine*. Syndicated series for the 2014-2015 season include *The Big Bang Theory*, *Family Guy* and *The Office*. TBS is also the home of the late night talk show Conan.

Adult Swim

Adult Swim is an evening and overnight block of programming airing on Turner's Cartoon Network. Adult Swim targets young adults and offers original and syndicated animated and live-action comedy programming. For the 2014-2015 season, Adult Swim's original series include *Aqua Teen Hunger Force*, *Black Jesus*, *Childrens Hospital*, *The Eric Andre Show*, *The Jack and Triumph Show*, *Mike Tyson Mysteries*, *Rick & Morty* and *Squidbillies*.

truTV

truTV focuses on series that feature real-life situations, in particular comedic reality programs. For the 2014-2015 season, truTV's returning original series include *Hardcore Pawn*, *Impractical Jokers*, *South Beach Tow* and *truTV Top Funniest*, and its new original series include *Barmageddon*, *The Carbonaro Effect*, *Fake Off*, *Friends of the People*, *Hack My Life*, *Hair Jacked* and *How to Be a Grown Up*. During the fourth quarter of 2014, Turner launched a rebrand of truTV to focus on entertainment programming targeted to adults with the tag line "Way More Fun".

Turner Classic Movies

Turner Classic Movies is a commercial-free network that presents classic films from some of the largest film libraries in the world. Turner Classic Movies also offers interviews, original documentaries, specials and regular programming events that include "The Essentials", "31 Days of Oscar" and "Summer Under the Stars".

International Entertainment

Outside the U.S., Turner owns and/or operates regional entertainment networks providing a variety of programming, such as motion pictures and series, documentaries, fashion and lifestyle content, music videos, sports and travel. In Latin America, Turner is the number one provider of multichannel television in the region, and it owns and operates regional entertainment networks, including Glitz*, HTV, I-Sat, Infinito, MuchMusic and Space. Turner also owns and operates Chilevisión, a free-to-air television broadcaster in Chile. In January 2015, Turner acquired the remaining shares in Esporte Interativo, a Brazilian television channel that airs sports programming, including programming from South American and European soccer leagues, so that it is now wholly owned by Turner. Turner also operates several regional entertainment networks in Europe and the Middle East, including TCM, TNT and TNT Glitz. In Asia, Turner operates several regional entertainment networks, including TCM, truTV, HBO Basic, WarnerTV and WB in India, Oh!K in Singapore, and MondoTV and Tabi Channel in Japan.

Sports

Turner Sports produces award-winning sports programming and content for Turner's TNT, TBS and truTV networks and related digital properties. Turner's sports programming helps drive value across its networks in the form of higher

affiliate fees, ratings, advertising and promotional opportunities.

Turner's sports programming features licensed programming from the National Basketball Association (NBA) through the 2024-2025 season, Major League Baseball (MLB) through 2021, The National Collegiate Athletic Association (the NCAA) for the Men's Division I Basketball Tournament through 2024, and the Professional Golfers' Association (PGA) through 2019. NBA games and PGA tournaments air on the TNT network, and MLB games air on the TBS network. Turner also operates NBA TV, an advertising-supported cable network owned by the NBA that features NBA exhibition, regular season and playoff games and related programming. The NCAA Men's Division I Basketball Tournament games air on the TNT, TBS and truTV networks and on the CBS network under an agreement among Turner, CBS Broadcasting, Inc. and the

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NCAA. Turner's networks will carry the NCAA Final Four semifinal games in 2015 and, in 2016, Turner's networks will carry the NCAA Final Four semifinal games and championship game. After 2016, Turner's networks and CBS will carry the NCAA Final Four semifinal games and championship game in alternate years.

Turner Sports operates *bleacherreport.com*, a leading online and mobile sports property that provides team-specific sports content and real-time event coverage and provides Turner with cross platform programming and marketing opportunities. For the year ended December 31, 2014, *bleacherreport.com* reached approximately 40 million average monthly domestic multi-platform unique visitors. Turner also manages and operates *NCAA.com*, *NCAA March Madness Live*, which provides live and on-demand streaming video of games, *NBA.com*, which provides live streaming of games, and *PGA.com*.

Kids

Cartoon Network and Boomerang offer original, acquired and classic animated and live-action entertainment targeted at kids in the U.S. and in international territories. Turner plans to significantly expand its global kids business, increase its collaboration with Warner Bros. on television programming that is based on Warner Bros. brands and characters (such as DC Entertainment and Looney Tunes) and grow its consumer products business. As part of that initiative, for the 2014-2015 season, Boomerang will offer both classic Warner Bros. animation programming and exclusive new original content.

Cartoon Network

Cartoon Network offers original and syndicated animated and live-action series and motion pictures for youth and families. For the 2014-2015 season, Cartoon Network's original animated series include *Adventure Time*, *The Amazing World of Gumball*, *Clarence*, *Steven Universe*, *Teen Titans Go!* and *Uncle Grandpa*.

Boomerang

Boomerang offers classic animated entertainment from the Warner Bros., Hanna-Barbera, MGM and Cartoon Network libraries, such as *The Flintstones*, *The Jetsons*, *Pink Panther*, *Tom and Jerry* and *Yogi Bear*, and for the 2014-2015 season will offer exclusive new original series, such as *Inspector Gadget* and *Mr. Bean*. In 2014, Boomerang began airing advertising for the first time in the U.S. and some international territories, with plans to air advertising in its other international territories in 2015.

Turner's kids business is a key part of its international operations, and Cartoon Network is the number one kids network in several territories outside the U.S. Turner's kids networks outside the U.S. include Cartoon Network, Boomerang and Tooncast in Latin America; BOING, Boomerang, Cartoon Network and Cartoonito in Europe and the Middle East; and Boomerang, Cartoon Network, POGO and Toonami in Asia.

News

CNN

CNN is the original cable television news service. As of December 31, 2014, CNN managed 40 news bureaus and editorial operations, 31 of which are located outside the U.S. Turner is focused on maintaining CNN's leadership in worldwide breaking-news and political coverage while broadening the scope of its programming to include

compelling storytelling about important events, people and places through original programming and long-form documentaries. CNN's original programming for the 2014-2015 season includes *Anthony Bourdain: Parts Unknown*; *Inside Man*, hosted by documentary filmmaker Morgan Spurlock; *Somebody's Gotta Do It*, hosted by Mike Rowe; and *This is Life with Lisa Ling*. CNN plans to increase the amount of original programming on CNN over time. For the 2014-2015 season, CNN's other programs include *Anderson Cooper 360 New Day*, and *The Situation Room*. For the year ended December 31, 2014, *CNN.com* had 39 million average monthly domestic unique visitors. In September 2014, CNN expanded its multi-platform capabilities with the nationwide rollout of CNNGo, which allows subscribers to watch CNN's news and original programming live and on demand.

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Internationally, CNN is the most widely distributed news network reaching almost 300 million households outside the U.S. as of December 31, 2014. CNN Worldwide is a portfolio of more than 20 news and information services across cable, satellite, radio, wireless devices and the Internet in more than 200 countries as of December 31, 2014. CNN Worldwide's networks and businesses include CNN U.S., CNN International, CNN en Español, CNNj, CNN.com, CNN Airport Network, CNN Radio, CNN Newsource and HLN.

HLN

HLN is a CNN Worldwide network that focuses on news, information, videos and other content curated from multiple social media platforms. For the 2014-2015 season, HLN's programs include *Dr. Drew On Call*, *Morning Express with Robin Meade* and *Nancy Grace*.

How Turner Generates Revenues

Turner generates revenues principally from fees received from affiliates that distribute Turner's programming to subscribers, the sale of advertising on its networks and the digital properties it owns or manages for other companies and the license of its original programming to SVOD services and its brands and characters for consumer products. Turner's agreements with its affiliates are typically multi-year arrangements that provide for annual service fee increases and have fee arrangements that are generally related to the number of subscribers served by the affiliate, the package of programming provided to the affiliate by each network and the competitive environment. Turner's advertising revenues are generated from a wide variety of advertiser categories, and the advertising arrangements for its networks generally have terms of one year or less. In the U.S., the advertising revenues generated by Turner are a function of the size and demographics of the audience delivered, the number of units of time sold and the price per unit. Turner sells some of its advertising inventory in the upfront market in advance each year and other inventory in the scatter market closer to the time a program airs. Outside the U.S., advertising is generally sold at a fixed rate for the unit of time sold, determined by the time of day and network.

HOME BOX OFFICE

Home Box Office owns and operates leading multichannel premium pay television services, HBO and Cinemax. Its businesses consist principally of premium pay television services domestically and premium pay and basic tier television services internationally, as well as home entertainment and content licensing. At December 31, 2014, Home Box Office had approximately 138 million worldwide subscribers, which consisted of approximately 46 million domestic premium pay subscribers and approximately 92 million international premium pay and basic tier television service subscribers, including subscribers through international unconsolidated joint ventures. Home Box Office provides HBO and Cinemax subscribers in the U.S. with subscription video-on-demand products, HBO On Demand and Cinemax On Demand as well as HBO GO and MAX GO. Home Box Office plans to launch a stand-alone streaming service in the U.S. in 2015. Home Box Office also sells its original programming via DVDs, Blu-ray Discs and electronic sell-through (EST). In 2014, Home Box Office also licensed for the first time some of its programming to an SVOD service in the U.S.

Internationally, Home Box Office tailors the distribution of its programming for each territory using one or more of the following distribution models: premium pay and basic tier television services licensing and/or sale of programming, and direct-to-consumer streaming services. HBO and Cinemax-branded premium pay and basic tier television services are distributed in over 60 countries in Latin America, Asia and Europe. Home Box Office's original programming is also available to consumers in over 150 countries, both via licenses to international television

networks and SVOD services and through sales of DVDs, Blu-ray Discs and EST. Home Box Office operates a direct-to-consumer streaming service in the Nordic region.

Home Box Office Programming

Domestic Original Programming

HBO's original programming features award-winning and critically acclaimed dramatic and comedy series, such as *Game of Thrones*, *Girls*, *The Leftovers*, *The Newsroom*, *Silicon Valley*, *True Blood*, *True Detective* and *VEEP*, as well as HBO films and mini-series, such as *The Normal Heart* and *Olive Kitteridge*, boxing matches and other sports programming, documentaries and comedy and music specials. The quality and diversity of HBO's original programming differentiates

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HBO from other premium pay television services, basic television networks and SVOD services and enhances the value of the HBO brand both domestically and internationally. This programming also continues to build the value of Home Box Office's content library while increasing the value of HBO across its businesses.

In 2014, HBO received 19 Primetime Emmy Awards, the most of any network for the 13th year in a row, with *True Detective* winning five awards. In 2014, HBO also won two Golden Globe Awards for *Behind the Candelabra*, and in January 2015, HBO won one Golden Globe Award for *The Normal Heart*. In addition, HBO won three George Foster Peabody Awards for documentaries and five Sports Emmy Awards in 2014.

Home Box Office continues to expand HBO's roster of original series and to work closely with Warner Bros. on original programming. Home Box Office premiered new series *True Detective* in January 2014, *Silicon Valley* in April 2014 and *The Leftovers* (produced by Warner Bros.) in June 2014. Home Box Office premiered its new series *Togetherness* in January 2015 and plans to premiere three additional new series, *Ballers*, *The Brink* and *Westworld* (produced by Warner Bros.), later in 2015.

In recent years, Cinemax has begun investing in original programming to enhance its brand. Cinemax's original primetime series in 2014 included *Banshee* and *The Knick*. In 2015 Cinemax will air new seasons of these shows and the final season of *Strike Back*.

Domestic Licensed Programming

Domestically, a significant portion of the programming on HBO and Cinemax consists of uncut and uncensored feature films, including recently-released feature films. Due to the importance of feature films to HBO and Cinemax subscribers, Home Box Office has long-term licensing agreements of varying duration with major film studios and independent producers and distributors. Home Box Office has agreements with Warner Bros., Twentieth Century Fox (Fox), Universal Pictures (Universal) and Summit Entertainment. The agreements provide Home Box Office the exclusive right to exhibit and distribute on its premium pay television services and digital platforms all of the feature films theatrically released in the U.S. each year by these studios during the applicable license period (other than certain animated films and other certain other specified films). More than half of the top 25 feature films theatrically released in 2014 (as determined based on domestic box office receipts) will be exhibited exclusively on the HBO and Cinemax premium pay television services during the applicable license periods. Home Box Office also has agreements to license older films with Fox, Universal, Warner Bros. and a number of other major studios and independent distributors. Expirations of these agreements are staggered, and Home Box Office's rights to some of the films licensed under these agreements extend into the next decade.

International Programming

A substantial portion of the programming on Home Box Office's international premium pay and basic tier television services consists of feature films licensed from major studios in the U.S. Home Box Office also has agreements to license older films from a number of major U.S. studios and other domestic and international independent distributors. In addition to films, the content offerings on these international programming services may feature licensed HBO- and Cinemax-branded television programming, local language original programming and/or U.S. television programming produced by other production studios. For example, in 2014, HBO Latin America (Home Box Office's largest joint venture) exhibited and distributed recently-released feature films licensed from four major U.S. studios, HBO- and Cinemax-branded programming and over 100 hours of locally-produced Spanish and Portuguese language original programming.

Home Box Office's Businesses and Revenues

Domestic Premium Pay Television Services

Home Box Office generates revenues principally from providing its programming to domestic affiliates. The HBO and Cinemax services are distributed by Home Box Office's domestic affiliates that have contracted to receive and distribute Home Box Office's programming to their customers who subscribe to the HBO and Cinemax services. At December 31, 2014, Home Box Office had approximately 46 million domestic subscribers and HBO was the most widely distributed domestic multi-channel premium pay television service. Home Box Office's agreements with its domestic affiliates are

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typically long-term arrangements that provide for annual service fee increases and marketing support. While fees to Home Box Office under affiliate agreements are generally based on the number of subscribers served by the affiliates, the relationship between subscriber totals and the amount of revenues earned depends on the specific terms of the applicable agreement, which may include basic and/or pay television subscriber thresholds, volume discounts and other performance-based discounts. Marketing and promotional activities intended to retain existing subscribers and acquire new subscribers may also impact revenue earned. In addition to offering HBO as part of their multichannel video subscription packages, some affiliates have created smaller bundled channel offerings that include a light subscription package (i.e., broadcast and/or select basic cable networks, broadband service and HBO).

In addition to viewing HBO and Cinemax programming on an HBO or Cinemax multiplex television channel, subscribers can also view HBO and Cinemax programming whenever they want through Home Box Office's on demand services, HBO On Demand and Cinemax on Demand. Home Box Office also provides HBO and Cinemax subscribers with unlimited access to programming through its HBO GO and MAX GO streaming video-on-demand platforms. HBO GO and MAX GO enable HBO and Cinemax subscribers to watch programming whenever they want on a variety of digital platforms, including various mobile devices, gaming consoles and Internet streaming devices and connected televisions. The programming on HBO GO and MAX GO includes most seasons of HBO's and Cinemax's original series, as well as feature films, HBO mini-series and films, sports programming, documentaries, comedy and music specials, bonus features and behind-the-scenes extras.

Home Box Office plans to launch a stand-alone streaming service in the U.S. in 2015 to target homes that do not subscribe to HBO, including those homes that do not subscribe to a multichannel video service. Home Box Office plans to work with its current domestic affiliates and explore other distribution models for this service.

International Premium Pay and Basic Tier Television Services

Unique, country-specific HBO and Cinemax-branded premium pay and basic tier television services are distributed in more than 60 countries in Latin America, Asia and Europe by international affiliates that have contracted to receive and distribute Home Box Office's programming to the affiliates' customers who subscribe to the HBO and Cinemax services. In Asia and Europe (excluding the Netherlands), Home Box Office operates through consolidated, wholly-owned subsidiaries. In Latin America and the Netherlands, Home Box Office operates through unconsolidated joint ventures. Home Box Office had approximately 92 million international subscribers at December 31, 2014, including subscribers through Home Box Office's unconsolidated joint ventures. Home Box Office transferred the operation and certain contracts of an HBO-branded basic tier television service in India to Turner effective January 2015. The service, which had approximately 15.8 million subscribers at December 31, 2014, will continue to use the HBO brand under Turner's operation. As a result, the subscribers of this service will no longer be included as Home Box Office subscribers. HBO GO was available to HBO premium pay television subscribers in over 20 countries at December 31, 2014, and Home Box Office plans to make HBO GO available to HBO premium pay television subscribers in additional countries and territories in 2015. Home Box Office generates revenues from providing its programming to international affiliates. The terms of Home Box Office's agreements with its international affiliates vary from country to country, and the amount of revenues attributable to such agreements can be based on a number of factors such as basic and/or pay television subscriber thresholds, performance-based or volume discounts, negotiated minimum guarantees or flat-fee arrangements.

Home Box Office also operates a direct-to-consumer on demand streaming service in the Nordic region.

Home Entertainment and Content Licensing

Home Box Office also generates revenues from the exploitation of its original programming through multiple other distribution outlets. Home Box Office's original programming is sold via DVDs, Blu-ray Discs and EST in the U.S. and various international regions through a wide variety of digital storefronts. Significant home entertainment releases in 2014 included *Game of Thrones: The Complete Third Season*, *True Detective: The Complete First Season* and *True Blood: The Complete Sixth Season*, *The Complete Seventh Season* and *The Complete Series*. In 2014, Home Box Office also licensed for the first time some of its programming to the Amazon Prime SVOD service. Finally, Home Box Office has also licensed certain of its original programming, such as *Curb Your Enthusiasm*, *Entourage* and *Sex and the City*, as well as *Everybody Loves Raymond*, which was produced by Home Box Office but aired on broadcast television, to domestic basic cable networks and local television stations.

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Home Box Office also licenses both individual programs and packages of programs to television networks and SVOD services in over 150 countries, including arrangements under which it licenses programming to television networks that are branded as the Home of HBO in countries such as the U.K., Australia, France, Germany and Israel and as HBO Canada in Canada. In the fourth quarter of 2014, Home Box Office also entered into a license agreement, under which it will license for the first time beginning in 2015 some of its current original series and library content to an SVOD service in China.

WARNER BROS.

Warner Bros. is the largest television and film studio in the world based on total studio revenues as of December 31, 2014. Its businesses consist principally of the production, distribution and licensing of television programming and feature films and the distribution of digital and physical home entertainment products, as well as the production and distribution of videogames and consumer product and brand licensing.

In television, Warner Bros. has been the leading producer of primetime series for U.S. broadcast networks for 11 of the last 12 television seasons. For the 2014/2015 television season, Warner Bros. is producing over 60 television series in the U.S., including over 30 series for U.S. broadcast networks. In addition, Warner Bros. licenses its U.S. programming in over 175 countries at December 31, 2014 and is also focused on expanding its international television production business through its global network of wholly-owned local production companies in 16 international territories.

In film, Warner Bros. has been the #1 or #2 film studio in domestic box office receipts for 9 of the past 11 years and the #1 or #2 film studio in global box office receipts for 10 of the last 11 years. In 2014 Warner Bros. films generated over \$4 billion at the global box office for the sixth year in a row. In October 2014, Warner Bros. announced an expansion of its film slate built around Warner Bros. strongest global franchises.

Warner Bros. is focusing on increasing the digital sales and rentals of its film and television content and is a leader in a variety of digital initiatives designed to make digital ownership more compelling for consumers, including UltraViolet. In addition, Warner Bros. has led the home entertainment industry in sales of DVDs and Blu-Ray Discs for 18 years. At December 31, 2014, Warner Bros. vast content library consists of more than 75,000 hours of programming, including over 7,000 feature films and 5,000 television programs comprised of tens of thousands of individual episodes.

Warner Bros. is focused on maximizing across all of its businesses the value of its portfolio of leading brands and characters. These brands include DC Entertainment's brands (DC Comics, Vertigo and MAD Magazine) as well as the Looney Tunes and Hanna-Barbera brands. DC Comics characters include such iconic characters as Batman, the Flash, Green Arrow, Superman and Wonder Woman. Warner Bros. other characters include Harry Potter, Bugs Bunny, Scooby-Doo and Tom and Jerry, among many others. Warner Bros. television and film businesses also benefit from a shared infrastructure, including shared production, distribution, marketing and administrative functions and resources.

Warner Bros. has developed strong global franchise properties from its portfolio of brands and characters, including film franchises such as the *Batman* and *Harry Potter* series and *The Hobbit* and *The Lord of the Rings* trilogies, and it is focused on extending its existing global film franchises and expanding the brands and characters from its film franchises and its leading portfolio of brands and characters across all its businesses. For example, during the 2014-2015 television season, five series based on DC Entertainment characters (including *Arrow*, *The Flash* and *Gotham*) are airing on broadcast television, and in 2014 Warner Bros. announced the release of at least 10 films based

on the DC Entertainment universe of characters from 2016 through 2020. In addition, in 2014, Warner Bros. extended its successful LEGO relationship to feature films with the release of *The LEGO Movie*, the first of several planned LEGO-branded films, and it released the third LEGO Batman videogame, *LEGO Batman 3: Beyond Gotham*. Also in 2014, Warner Bros. announced the release of three films based on the world of Harry Potter from 2016 through 2020. Warner Bros. is also focused on creating new global film franchises.

Television

Warner Bros. is a leader in the television production and distribution business. Warner Bros. is focused on maintaining its leadership position in producing primetime series for the U.S. broadcast networks (including The CW broadcast network (The CW)) while expanding and diversifying its production slate across new buyers and genres. This includes increasing

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production for basic cable networks (including expanding its collaboration with Turner), premium pay television services (including HBO), and SVOD services. Warner Bros. also plans to expand its international local television production business by using its global network of wholly-owned local production companies in 16 international territories. Warner Bros. is actively collaborating with Turner as Turner and Warner Bros. move to significantly expand their global kids businesses and maximize the related consumer product opportunities. Warner Bros. is providing Turner with more animation programming based on Warner Bros. intellectual property (such as DC Entertainment and Looney Tunes) to obtain broader global exposure for existing franchises and develop a platform to launch new franchises.

Domestic Business

Warner Bros. produces and distributes its television programming for initial airing on broadcast and basic cable television networks, premium pay television and SVOD services and local television stations in the U.S. Warner Bros. also produces and distributes short-form live-action series and animated programming for initial viewing on digital platforms. Warner Bros. programming includes the following:

scripted television series produced by Warner Bros. Television and Warner Horizon Television Inc., including *2 Broke Girls*, *Arrow*, *The Big Bang Theory*, *The Flash*, *The Following*, *Gotham*, *The Middle*, *Mike & Molly*, *Person of Interest*, and *Supernatural* for broadcast networks (including The CW); *Childrens Hospital*, *Major Crimes*, *Pretty Little Liars*, *Rizzoli & Isles* and *Sullivan & Son* for basic cable networks (including TNT, TBS and Adult Swim); and scripted series for premium pay television services (including *The Leftovers* for HBO and *Shameless*);

reality-based non-scripted television series produced by Warner Horizon Television Inc., including *The Bachelor* and *The Voice*;

first-run syndication series produced by Telepictures Productions Inc., including *The Ellen DeGeneres Show*, *Extra* and *TMZ*;

animated television programming and original made-for-home entertainment animated releases produced by Warner Bros. Animation Inc., including programming based on characters from DC Entertainment, Looney Tunes and Hanna-Barbera. Programs include *Be Cool Scooby Doo*, *Mike Tyson Mysteries* and *Wabbit*, all of which aired on Turner's Cartoon Network or Adult Swim networks in the 2014-2015 television season; and

short-form live-action series and animated programming for digital platforms produced by Blue Ribbon Content, including original concepts as well as content based on characters from Warner Bros. intellectual property, including the Alloy Entertainment, DC Entertainment and New Line Cinema brands.

After the initial domestic airing, Warner Bros. licenses its television programming for subsequent airing on basic cable networks, local television stations and SVOD services and through other off-network distribution channels in the U.S. These licenses enable Warner Bros. to generate significant revenues from hit television series for years

beyond their initial airing on television. For example, Warner Bros. has licensed local station and basic cable off-network rights to various series, including *2 Broke Girls*, *The Big Bang Theory*, *The Middle*, *Mike & Molly*, *Person of Interest* and *Two and a Half Men*. Warner Bros. also has license agreements with an SVOD service for the exclusive SVOD rights to all episodes of *Friends* and to each season of *Gotham* following its initial airing on broadcast television. In addition, Warner Bros. has a licensing agreement with an SVOD service, which extends through the 2014/2015 season (and for the life of any series created during the 2014/2015 season), for the exclusive, out-of-season, domestic SVOD rights to all scripted primetime series produced for The CW.

Warner Bros. also licenses its feature films to broadcast and cable networks, SVOD services and premium pay television services (including HBO) starting approximately eight to eleven months following their theatrical release. During 2014, Warner Bros. licensed more than 1,000 feature films and over 3,500 hours of feature film programming to television networks, premium pay television services and SVOD services.

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International Business

Warner Bros. licenses rights to exhibit feature films and original television series in international territories through agreements with television networks, premium pay and basic tier television services, SVOD services, free video on demand services and other digital services. During 2014, Warner Bros. licensed thousands of hours of programming, dubbed or subtitled in more than 60 languages, to international distributors in more than 175 countries. In 2014, Warner Bros. entered into significant international SVOD arrangements in Canada, France, Germany and the Nordic region and a multi-territory SVOD arrangement for the series, *Gotham*.

As the worldwide demand for locally produced, local language programming increases, Warner Bros. is focused on expanding its international local production business. With its acquisition of the remaining ownership interests in the Shed Media Group and its acquisition of the non-U.S. operations of the Eyeworks Group, Warner Bros. has a global network of wholly-owned production companies in 16 international territories, which will allow Warner Bros. to develop programming specifically tailored for the audiences in these territories. Warner Bros. is also focusing on adapting international local programming into formats that can be produced by its local production companies in additional territories, including the U.S. For example, *The Bachelor* (a format owned by Warner Bros. that originated in the U.S.) is being adapted and produced in multiple international territories, including Australia, Germany, New Zealand, Sweden and Switzerland, and *Date Night* (a format owned by Warner Bros. that originated in the U.K.) is being adapted and produced in Belgium, the Netherlands and the U.S.

Television Business Revenues

The revenues generated by Warner Bros. television business consist of (1) fees for the initial broadcast of Warner Bros. television programming on U.S. broadcast and cable television networks and premium pay television and SVOD services, (2) fees for the airing or other distribution of its television programming after its initial broadcast in secondary U.S. distribution channels (such as basic cable networks, local television stations and SVOD services) and in international territories, (3) fees for the international distribution of Warner Bros. television programming for free-to-air television, basic tier and premium pay television services, SVOD services and free VOD and (4) revenues from the sale of the television programming of Warner Bros. and other companies in digital formats and on physical discs. Warner Bros. television programming also supports Warner Bros. key franchises, which helps generate consumer product revenues based on the programming for years beyond the initial airing of such programming on television.

Feature Films

Warner Bros. is a leader in the feature film business and produces feature films under its Warner Bros. and New Line Cinema banners. Warner Bros. also enters into arrangements with others to co-produce and co-finance feature films. Warner Bros. produces and distributes a wide-ranging slate of films, and it is focused on expanding its film slate, built around its strongest franchises with global appeal.

During 2014, Warner Bros. released 21 original feature films for distribution in the U.S., including *Annabelle*, *Edge of Tomorrow*, *Godzilla*, *The Hobbit: The Battle of the Five Armies*, *The LEGO Movie* and *Tammy*. Of the films released during 2014, five were released in 3D format, including *Godzilla* and *The LEGO Movie*, and five were formatted for viewing on IMAX screens, including *Edge of Tomorrow* and *The Hobbit: The Battle of the Five Armies*. In January 2015, Warner Bros. widely released *American Sniper*, and in February 2015, Warner Bros. released *Jupiter Ascending*. Warner Bros. plans to release an additional 21 films during 2015, including *Entourage*, *Mad Max: Fury*

Road, Get Hard, Magic Mike XXL, Pan and San Andreas.

In October 2014, Warner Bros. announced the expansion of its feature film slate built around its strongest global franchises. Warner Bros. film slate of between 21 to 23 films per year will include at least 10 films based on the DC Entertainment universe of characters such as *Aquaman, Batman v Superman: Dawn of Justice, The Flash, Green Lantern, Justice League Part One, Shazam, Suicide Squad* and *Wonder Woman*, as well as three LEGO-branded films and three films in partnership with J.K. Rowling inspired by Harry Potter's Hogwarts textbook, *Fantastic Beasts and Where to Find Them*, that build on Warner Bros. successful Harry Potter film franchise.

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Internationally, Warner Bros. produces and distributes both English language as well as local language films for theatrical exhibition in more than 170 territories outside the U.S. Warner Bros. uses both day and date and a staggered release schedule for its international releases. In 2014, Warner Bros. released internationally 20 English-language films and 29 local-language films that it either produced itself or acquired from other companies.

After the theatrical exhibition of its feature films, Warner Bros. releases them both domestically and internationally for distribution in various time periods through a variety of distribution channels, including through EST and VOD, on DVD and Blu-ray Discs, to premium pay television services, broadcast and basic cable networks, SVOD services and other exhibitors such as airlines and hotels. Feature films are released for sale through EST and on DVDs and Blu-ray Discs approximately three to six months following their release in theaters, and the date for that release is influenced by seasonality, competitive conditions, film attributes and expected performance. After that, Warner Bros. licenses the feature films for domestic and international distribution to premium pay television services (including HBO and Cinemax), broadcast and basic cable networks, (including Turner's cable networks) and SVOD and other digital services and, in most cases, other exhibitors such as airlines and hotels. Warner Bros. also licenses its recent theatrical releases for viewing online in the U.S. as described in Home Entertainment below.

Warner Bros. produces most of its films under co-financing arrangements, which give Warner Bros. a greater ability to manage the financial risks of its film slate and offset some of the significant costs involved in the production, marketing and distribution of feature films, particularly event films. In most cases, Warner Bros. maintains worldwide distribution rights for the films it co-finances with others. Warner Bros. has co-financing arrangements with Village Roadshow Pictures and RatPac-Dune Entertainment (RatPac-Dune). Under Warner Bros. multi-year agreement with RatPac-Dune, RatPac-Dune has agreed to co-finance as many as 75 of Warner Bros. films by contributing capital for and receiving equity in such films. Warner Bros. also monetizes its distribution and marketing operations by distributing films that are totally financed and produced by others, and it has an exclusive distribution arrangement with Alcon Entertainment.

Feature Film Business Revenues

The revenues generated by Warner Bros. feature film business primarily consist of (1) rental fees paid by theaters for the theatrical exhibition of feature films produced (or co-produced) and/or distributed by Warner Bros., (2) licensing fees paid by television networks, premium pay television services and SVOD services for the exhibition of feature films produced or co-produced by Warner Bros. and (3) revenues from the distribution of Warner Bros. and other companies' feature films on physical discs and in digital formats.

Home Entertainment

Warner Bros. also generates revenues through the home entertainment distribution of its film and television content on DVDs and Blu-ray Discs and various digital formats. Warner Bros. continues to be a leader in the home entertainment industry, and its significant home entertainment releases during 2014 include *Gravity*, *The Hobbit: The Desolation of Smaug* and *The LEGO Movie*.

The home entertainment industry has been undergoing significant changes as it transitions from the physical distribution of film and television content via DVDs and Blu-ray Discs to the digital delivery of such content. In recent years, consumer spending on physical discs has declined as a result of several factors, including consumers shifting to subscription rental services and discount rental kiosks; increasing competition for consumer discretionary time and spending; and piracy. Consumer spending on the digital delivery of film and television content has been

increasing in recent years, but that growth has not fully offset declines in consumer spending on physical discs.

In response to these dynamics, Warner Bros. has been focusing on increasing digital sales and rentals of its film and television content through more profitable channels such as EST and transactional VOD, and is a leader in a variety of digital initiatives designed to make digital ownership more compelling for consumers. Warner Bros. licenses its newly released feature films as well as films from its library and its television content for viewing digitally online and on mobile platforms in the U.S. and internationally to EST and transactional VOD services, such as Amazon, iTunes and Google Play. In the U.S. and most major international markets, Warner Bros. recent theatrical releases are generally released for sale in EST at least two weeks before their release on DVD, Blu-ray Disc and VOD.

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In addition, Warner Bros. participates in a variety of digital initiatives, including UltraViolet, the home entertainment industry standard that allows consumers who have purchased film and television content to access their content at any time by downloading or streaming it from the cloud to various devices supported by participating UltraViolet retailers, and the Disc to Digital service, which allows consumers to obtain digital copies of their previously purchased physical DVD and Blu-ray collections. In addition, Warner Bros. Flixster app is a video collection platform that enables consumers to watch and manage their UltraViolet film and television content on multiple digital platforms, including mobile devices, connected televisions and Internet streaming platforms.

Although consumer spending on physical discs has declined in recent years, the distribution of DVDs and Blu-ray Discs still generates significant revenues for Warner Bros. The DVDs and Blu-ray Discs it distributes contain its own feature films and television content, including library content, as well as content acquired from others. In the U.S. and other major territories, physical disc sales of new feature film releases include an Ultraviolet digital copy. Warner Bros. generally releases newly produced films on DVD and Blu-ray Disc to by-mail and kiosk rental services 28 days following their release to online and brick and mortar retailers. Warner Bros. also distributes content on DVDs and Blu-ray Discs for others, such as HBO, Turner, BBC, Paramount and Sesame Street in the U.S. and content producers outside the U.S.

Videogames

Warner Bros. develops, publishes and distributes videogames, including mobile and console games. Its videogames are based on intellectual property owned by Warner Bros. (including DC Entertainment) as well as other companies. In 2014, Warner Bros. released 11 videogames, including *LEGO Batman 3: Beyond Gotham*, *The LEGO Movie Videogame* and *Middle Earth: Shadow of Mordor*, and it plans to release 13 videogames in 2015. In recent years, Warner Bros. videogame releases have included multiple games based on DC Entertainment characters, *Harry Potter*, *The Hobbit* and *The Lord of the Rings* trilogies, LEGO and Mortal Kombat, and Warner Bros. is focused on increasing its monetization of its franchises in its videogames business in the future. Warner Bros. also licenses Warner Bros. and DC Entertainment properties for videogames to other companies. Warner Bros. videogames revenues consist of revenues from the development and distribution of the videogames of Warner Bros. and other companies.

OTHER TELEVISION NETWORK ASSETS

The Company also holds interests in companies that operate broadcast networks.

Central European Media Enterprises Ltd.

As of December 31, 2014, Time Warner held an approximate 49% voting interest and an approximate 75% economic interest in the equity interests of Central European Media Enterprises Ltd. (CME), a publicly-traded broadcasting company that operates leading television networks in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia. Time Warner's investment consists of (i) common stock, (ii) convertible preferred stock that has voting rights, (iii) convertible redeemable preferred shares that do not have voting rights and (iv) warrants to purchase common stock of CME. Time Warner accounts for its investment in CME's common stock and convertible preferred stock under the equity method of accounting, and it accounts for its investment in CME's convertible redeemable preferred shares under the cost method of accounting. Time Warner also guarantees or holds a significant portion of CME's outstanding indebtedness and provides financing to CME under a revolving credit facility and term loan. See Management's Discussion and Analysis of Results of Operations and Financial Condition Recent Developments for additional information regarding Time Warner's guarantees, the debt held by Time Warner and the

credit facility and term loan provided by Time Warner.

The CW

The CW is a 50-50 joint venture between Warner Bros. and CBS Corporation. The CW's 2014-2015 schedule includes a 5-night, 10-hour primetime lineup of advertising-supported original programming such as *America's Next Top Model*, *Arrow*, *Beauty and the Beast*, *The Flash*, *Heart of Dixie*, *iZombie*, *Jane the Virgin*, *The Originals*, *Reign*, *Supernatural* and *The Vampire Diaries*, as well as a five-hour block of advertising-supported programming on Saturday mornings. In 2015, The CW's *Jane the Virgin* won one Golden Globe Award. Advertising-supported full episodes of The CW's original series are also available on *cwtv.com*. The CW programming is also available for streaming through Netflix and Hulu. The Company accounts for its investment in The CW under the equity method of accounting.

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COMPETITION

The Company's businesses operate in highly competitive industries. Competition in these industries has intensified as leisure and entertainment options have proliferated and audience fragmentation has increased. The Company's businesses compete for consumers' entertainment and leisure time and spending with each other, as well as other forms of entertainment, including other television networks, premium pay television services, local over-the-air television stations, motion pictures, home entertainment products and services (including SVOD services), VOD services and videogames, as well as pirated content, websites providing social networking and user-generated content, online activities, print media, live events, radio broadcasts and other forms of news, information and entertainment.

The Company's competitive position is greatly affected by the quality of, and public response to, its content. The Company's businesses compete with other production companies and studios for the services of producers, directors, writers, actors and others and for the acquisition of literary properties. The Company's television networks compete for programming with television networks, premium pay television services, local television stations and SVOD services, and competition for programming, particularly licensed and sports programming, is intense.

The Company faces competition for the licensing and distribution of its programming. As a producer and distributor of programming, the Company competes with other studios and television production groups, and independent producers to produce and sell programming. Many television networks have affiliated production companies from which they are increasingly obtaining their programming, which has reduced the demand for programming from non-affiliated production companies. The Company also faces competition from other television networks and premium pay television services for distribution and marketing of its television networks and premium pay and basic tier television services by affiliates.

The Company's businesses face significant competition in other areas as well. For example, Company's television networks and websites compete for advertising with networks, websites, print, radio, outdoor display and other media, and the Company's businesses compete in their character and brand merchandising and other licensing activities with other licensors of characters and brands.

REGULATORY MATTERS

The Company's businesses are subject to and affected by laws and regulations of U.S. federal, state and local governmental authorities as well as the laws and regulations of international countries and bodies such as the European Union (the "EU"), and these laws and regulations are subject to change. The following descriptions of significant U.S. federal, state, local and international laws, regulations, regulatory agency inquiries, rulemaking proceedings and other developments should be read in conjunction with the texts of the respective laws and regulations and other related materials.

Intellectual Property Laws

Time Warner is one of the world's leading creators, owners and distributors of intellectual property. The Company's vast intellectual property assets include copyrights in films, television programs, software, comic books and mobile apps; trademarks in names, logos and characters; patents or patent applications for inventions related to products and services; and licenses of intellectual property rights of various kinds. The Company derives value from these assets through its business activities.

To protect the Company's assets, the Company relies on a combination of copyright, trademark, unfair competition, patent and trade secret laws and license agreements. The duration of the protection afforded to the Company's intellectual property depends on the type of property, the laws and regulations of the relevant jurisdiction and the terms of its license agreements. With respect to the Company's trademarks and trade names, trademark laws and rights are generally territorial in scope and limited to those countries where a mark has been registered or otherwise protected. While trademark registrations may generally be maintained in effect for as long as the mark is in use in the respective jurisdictions, there may be occasions where a mark or title is not registrable or protectable or cannot be used in a particular country. In addition, a trademark registration may be cancelled or invalidated if challenged by others based on certain use requirements or other limited grounds. In the U.S., the usual copyright term for authored works is the life of the author plus 70 years, and the copyright term for works made for hire is the shorter of 95 years from the first publication or 120 years from the date

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the work was created. The Company also relies on laws that prohibit the circumvention of technological protection measures and trafficking in circumvention devices. The extent of copyright protection and benefit from laws prohibiting the circumvention of technological protection measures vary in different countries.

Piracy, particularly of digital content, continues to present a threat to revenues from products and services based on intellectual property. The Company seeks to limit that threat through a combination of approaches, including working with cross-industry groups, trade associations and strategic partners to develop and implement technological solutions to control piracy, promoting legitimate market alternatives, applying technological protection measures, engaging in efforts to ensure effective and appropriately tailored legal remedies for infringement, enhancing public awareness of the meaning and value of intellectual property and promoting and advocating for appropriate legislative and policy initiatives both in the U.S. and internationally. The Company vigorously pursues appropriate avenues to protect its intellectual property, including sending takedown notices in appropriate circumstances and pursuing litigation and referrals to law enforcement against websites that distribute or facilitate the unauthorized distribution of the Company's content. The volume of actions against websites dedicated to copyright theft is increasing internationally, and certain countries have implemented or are considering implementing programs or remedies designed to address and deter widespread infringement.

Outside the U.S., laws and regulations relating to intellectual property protection and the effective enforcement of these laws and regulations vary greatly from country to country and continue to evolve. Judicial, legislative and administrative developments are taking place in certain jurisdictions that may limit the ability of rights holders to exploit and enforce certain of their exclusive intellectual property rights outside the U.S. For example, in October 2011, the European Court of Justice held, in the context of satellite broadcasts of live soccer matches, that it was an unlawful restriction on competition for England's Football Association Premier League to prohibit broadcasting licensees from distributing satellite decoder cards outside the territory for which the broadcasts were licensed for reception. As a result of that decision, in January 2014, the European Commission began an antitrust investigation of the cross-border provision of pay TV services, and is examining certain provisions in licensing agreements between a number of U.S. film studios, including Warner Bros., and several large European satellite pay TV broadcasters. The European Commission has stated that its investigation is focusing on contractual restrictions that prevent broadcasters in one country from selling subscriptions in response to unsolicited requests from viewers in other EU countries. In addition, in 2014, the European Commission announced that one of its priorities is the creation of a single digital market, which is intended to reduce the barriers to the unrestricted flow of online services and entertainment content across national borders. The European Commission also announced that it intends to propose legislation to modernize copyright laws to support a single digital market. It is not possible at this time to predict the impact that this investigation or potential legislation could have on the Company's businesses.

Regulation Relating to Data Privacy, Data Security and Cybersecurity

The Company's businesses are subject to laws and regulations governing data privacy, data security and cybersecurity. For example, in the U.S., the Company is subject to: (1) the Children's Online Privacy Protection Act (COPPA), which affects certain of the Company's websites, mobile apps and other online business activities and restricts the collection, maintenance and use of personal information regarding children; (2) the Privacy and Security Rules under the Health Insurance Portability and Accountability Act, which imposes privacy and security requirements on the Company's health plans for its employees and on service providers under those plans; (3) the Video Privacy Protection Act, which restricts disclosure of video viewing information; (4) state statutes requiring notice to individuals when a data breach results in the unauthorized release of personally identifiable information; and (5) privacy and security rules imposed by the payment card industry, as well as regulations designed to protect against identity theft and fraud in connection

with the collection of credit and debit card payments from consumers.

Moreover, new laws and regulations that could affect how the Company collects, uses and protects data have been adopted or are being considered in the U.S. and internationally. In the U.S., for example, the Federal Trade Commission (the "FTC") issued a report on consumer privacy protection in March 2012 that sets forth best practices for businesses to build privacy protections into their products and provide consumers with greater control over the collection and use of their personal information. The FTC report also calls for the widespread adoption and strengthening of self-regulatory measures, such as a standard "Do Not Track" mechanism and a limitation on data tracking with respect to mobile devices. In addition, effective July 1, 2013, the FTC updated its regulations implementing COPPA by expanding the categories of data that are considered personal information, such as IP addresses, geolocation data and screen names. The FTC also updated the requirements for notice, parental consent, confidentiality and security in the regulations implementing COPPA.

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Following the Department of Commerce (the "DOC") report on cybersecurity and the White House report on consumer privacy in 2012, the U.S. General Accounting Office issued a report in September 2013 encouraging Congress to consider strengthening the U.S. consumer privacy framework to reflect the effects of changes in technology and the increased market for consumer information. In 2014, Congress held hearings on privacy, data security and cybersecurity, and these hearings are expected to continue in 2015. Other activities in this area could include changes to the DOC's Safe Harbor program, which offers a framework for companies to import personal information from the EU in compliance with the European Data Protection Directive (95/46/EC) (the "Directive"), as well as the potential for new or expanded laws and regulations regarding information security, online and behavioral advertising, geolocation tracking, cloud computing and other forms of data collection, sharing and use. To the extent any of these developments results in the adoption of new laws or regulations, it could increase the Company's compliance costs.

Several state legislatures have also adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches. For example, laws in numerous states require businesses to provide notice to customers whose personally identifiable information has been disclosed as a result of a data breach. In addition, California's "Do Not Track" legislation requires websites (including mobile apps) that collect personal information about a person's online activities to disclose how the site responds to "do not track" signals or other mechanisms that enable consumers to opt out of the collection of such information.

Foreign governments are also focusing on data privacy and security concerns. For example, a 2012 report by the European Commission proposed a comprehensive review of privacy protection in the EU. The regulation proposed in the report includes rules that broaden the definition of personal data, strengthen the rights of data subjects, enhance penalties for non-compliance and continue to restrict the transfer of personal data to countries outside the EU.

Regulation of Television Networks, Internet/Broadband Services, Programming and Advertising

The Company's businesses are also subject to a number of laws and regulations relating to the distribution and licensing of television programming, the content of that programming, and advertising and marketing. In the U.S., cable networks and premium pay television services, either directly or indirectly through their distribution partners, are subject to various obligations under the Communications Act of 1934, as amended (the "Communications Act"), and related regulations issued by the Federal Communications Commission (the "FCC"). These obligations and regulations, among other things, require closed captioning of programming for the hearing impaired, limit the amount and content of commercial matter that may be shown during programming aimed primarily at an audience of children aged 12 and under, and require the identification of (or the maintenance of lists of) sponsors of political advertising.

In addition, in May 2014, the FCC proposed new "net neutrality" regulations based on Section 706 of the Telecommunications Act of 1996, that, subject to certain exceptions, would prohibit Internet Service Providers or ISPs from blocking lawful content, applications, services and devices as well as certain kinds of commercially unreasonable practices, including some discriminatory behavior. In November 2014, President Obama encouraged the FCC to base its "net neutrality" regulations on Title II of the Communications Act, thereby reclassifying consumer broadband service as a telecommunications service subject to potentially greater regulation. In February 2015, the FCC Chairman announced his proposal for "net neutrality" regulations. While the proposed regulations are not publicly available, they would reportedly subject ISPs to the requirements of Title II of the Communications Act, including imposing limitations on unjust and unreasonable practices and obligations regarding customer privacy and protections for people with disabilities and authorize the FCC to investigate and act on consumer complaints. In addition, the proposed regulations would reportedly prohibit ISPs from: (i) blocking access to legal content, applications or services or to devices that do not harm the network, (ii) impairing or degrading lawful Internet content and (iii) implementing

paid prioritization or fast lanes for content or applications. ISPs would reportedly be allowed to engage in reasonable network management (other than paid prioritization), but only if the purpose of their actions is related to managing their network. The FCC is expected to act on this proposal at its open meeting scheduled for February 26, 2015; if adopted, the proposed regulations would then be made public and could be subject to legal challenge.

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From time to time, the FCC also conducts inquiries and rulemaking proceedings, which could lead to additional regulations that could have a material effect on the Company's businesses. The FCC has also initiated the following proceedings:

The FCC is engaged in a number of proceedings designed to make more of the electromagnetic spectrum that is currently used for broadcast television and satellites available for wireless broadband. These proceedings include conducting voluntary incentive auctions, which are expected to begin in 2016, for portions of the spectrum used by television broadcasters to provide additional spectrum for wireless broadband, and evaluating the potential use of certain portions of the satellite spectrum for wireless broadband. The potential changes to the satellite spectrum could negatively impact the Company's ability to deliver linear network feeds of its domestic basic cable networks to its affiliates. It may take several years for these proceedings and any related spectrum reallocation to be completed, and it is not possible to predict the impact that any such proceedings and reallocation could have on the Company.

The FCC has initiated several rulemaking proceedings to implement the 21st Century Communications and Video Accessibility Act of 2010 (the Accessibility Act). In February 2014, the FCC changed its television closed captioning rules to, among other things, extend certain obligations regarding the quality of closed captioning of television programming to companies that produce video programming. These new quality rules are scheduled to become effective in March 2015 and are subject to ongoing FCC proceedings that may impose additional obligations on programming producers.

In addition, pursuant to the Accessibility Act, in July 2014, the FCC issued an order requiring closed captioning for clips of video programming that previously aired on television and are posted online or available through online applications in certain circumstances, which will go into effect in 2016. These rules could increase the costs of making video clips available online. The FCC also has issued a notice of further rulemaking regarding extending the scope of the video-clip-captioning rules.

In December 2014, the FCC proposed rules to expand its interpretation of "multichannel video programming distributor" under the Communications Act to include over-the-top providers of multiple streams of linear programming (i.e., television programming that is delivered via the Internet in a regularly scheduled, continuous manner, either live or on a delayed basis), which would give them rights to distribute broadcast network television programming and cable-operator affiliated programming, while also subjecting them to various obligations such as retransmission fees. Depending on the scope and specific provisions of any final rules, they could affect the Company's negotiations regarding, and provision of, online linear video.

Various other federal laws also contain provisions that place restrictions on violent and sexually explicit programming. Regulators, legislatures and policymakers have also become increasingly interested in laws and regulations intended to protect the interests of children by placing limitations on food and beverage marketing in media popular with children and teens.

In addition, in international territories, there are various laws and regulations relating to the distribution or licensing of television programming and other products. These include television licensing requirements relating to closed

captioning of programming for the hearing impaired, descriptive audio versions for the visually impaired and mandatory local language dubbed and/or subtitled versions of programming, laws providing for minimum percentages of local content and maximum percentages of foreign content on television, local language advertising requirements, laws and regulations imposing pricing, exclusivity and importing restrictions, editorial control, translation or local editing requirements and other nationality-based restrictions. There are also a number of laws and regulations in these international territories relating to the nature of content and advertising and marketing efforts, including content codes and laws requiring government approval of certain content prior to exhibition, consumer protection laws (particularly those relating to advertisements and programming aimed at children) and laws restricting the amount of advertising permitted on television networks. For example, the EU Audio Visual Media Services directive, which allows EU member states to adopt more restrictive regimes and applies to all programs produced after December 2009, obligates broadcasters to notify viewers if an audiovisual program contains paid product placement, bans any form of product placement in children's and news programming and prohibits product placement of tobacco products and prescription medication. The directive also imposes an obligation on EU member states and the

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European Commission to encourage broadcasters and channel providers to develop codes of conduct regarding advertising for foods high in fat, salt and sugar in or around children's programming. Accordingly, in the U.K., the Office of Communications has restricted such television advertising, and other EU jurisdictions have required that nutritional information be included in food advertisements. Outside the EU, other governments are considering or have already implemented food advertising restrictions similar to those in the U.K., including in Australia, Brazil, Colombia, Chile, Mexico, Norway, Peru, Singapore and Uruguay. Finally, several governments, including in Argentina, Brazil, India, Mexico and Uruguay, have recently proposed, enacted or more strictly enforced regulations that limit the amount of advertising content that can be aired on television networks.

Regulation of the Distribution and Licensing of Feature Films

In countries outside the U.S., there are a variety of laws and regulations relating to the distribution or licensing of feature films for exhibition in theaters and on broadcast and cable networks. These include copyright laws and regulations, television licensing requirements similar to those applicable to made-for-television programming, trade and customs regulations, laws providing for minimum percentages of local content in theaters and on broadcast television and maximum percentages of foreign content on television and laws that limit increases in prices paid by distributors to content providers. In certain countries, other laws and regulations, some of which are under review by local government ministries, provide for limits on the number of foreign films that may be exhibited in such countries in a calendar year.

Marketing Regulation

The Company's marketing and advertising sales activities are subject to regulation by the FTC and each of the states under general consumer protection statutes prohibiting unfair or deceptive acts or practices. Certain marketing activities are also subject to specific federal statutes and rules, such as COPPA.

FINANCIAL INFORMATION ABOUT SEGMENTS, GEOGRAPHIC AREAS AND BACKLOG

Financial and other information by segment and revenues by geographic area for each year in the three-year period ended December 31, 2014 are set forth in Note 15 to the Company's consolidated financial statements, Segment Information. Information with respect to the Company's backlog, representing future revenue not yet recorded from cash contracts for the worldwide licensing of theatrical and television product for premium pay television services, basic cable and network and syndicated television exhibition, at December 31, 2014 and December 31, 2013, is set forth in Note 16 to the Company's consolidated financial statements, Commitments and Contingencies - Commitments Programming Licensing Backlog.

Item 1A. Risk Factors.

The Company must respond successfully to changes in technology and consumer behavior to remain competitive.

The Company derives a substantial portion of its revenues and profits from its cable networks, its premium pay television services and its production and licensing of television programming. Technological changes have driven and reinforced changes in consumer behavior as consumers seek more control over when, where and how they consume content. These changes pose long-term risks to the traditional television industry and many of the Company's historical business models. These risks include: (i) the disruption of the traditional television content delivery model by over-the-top aggregators of content if they are successful in drawing large audiences and significant revenues away

from, or further discouraging younger audiences from subscribing to, multichannel video services; (ii) the disruption of the advertising-supported television model due to increased online video consumption, time-shifted viewing of television programs and the use of digital video recorders to skip advertisements; (iii) the decline in the value of a network's acquired programming if it does not obtain the exclusive right to distribute that programming on both television and digital platforms and that programming becomes readily available to consumers on other companies' platforms; (iv) an increase in Turner's and Home Box Office's costs to produce or acquire high-quality, must-watch programming due to heightened competition, including from SVOD services. The Company's responses to mitigate the risks from these changes, including the adoption of new business models and enhancing TV Everywhere, may not be embraced by consumers, advertisers, affiliates or others in the media and entertainment industry, which could have a significant adverse effect on the Company's competitive position and its businesses. In addition, the Company may incur significant costs to respond to, and mitigate the risks from, these changes.

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The popularity of content is difficult to predict and can change rapidly, and low public acceptance of the Company's content will adversely affect its results of operations. The revenues derived from the sale, distribution and licensing of television programming, feature films, videogames and other content depend primarily on widespread public acceptance of that content, which is difficult to predict and can change rapidly. The Company must invest substantial amounts in the production and marketing of its content before it learns whether such content will reach anticipated levels of popularity with consumers. The popularity of the Company's content depends on many factors, only some of which are within the Company's control. Examples include the popularity of competing content (including locally produced content internationally), the availability of alternative forms of leisure and entertainment activities, the Company's ability to maintain or develop strong brand awareness and target key audiences, and the Company's ability to successfully anticipate (and timely adapt its content to) changes in consumer tastes and behavior in the many countries and territories in which the Company operates. Low public acceptance of the Company's content will adversely affect its results of operations.

Generally, feature films that perform well at the box office also have commercial success in subsequent distribution channels. Therefore, the underperformance of a feature film, especially an event film, at the box office can result in lower than expected revenues for the Company from the license of the film to broadcast and cable networks and SVOD services, sales of the film via EST and physical discs, and from the sale of videogames or licenses for consumer products based on such film. There is also a risk that a new event film that fails to achieve commercial success at the box office, which would limit the Company's ability to create a new theatrical franchise based on the film or characters featured in such film. The failure to develop successful new theatrical franchises could have an adverse effect on the Company's results of operations.

With respect to television programming produced by the Company, low ratings for such programming may lead to the cancellation of a program and can negatively affect future license fees for the cancelled program. A decline in the ratings or popularity of the television programming aired on Turner's cable networks can negatively affect advertising revenues for Turner's cable networks in the near term and, over a longer period of time, could adversely affect subscription revenues and the distribution potential of a Turner network. A decline in the popularity of HBO and Cinemax's programming could, over a period of time, cause subscribers to cancel their subscriptions, which in turn could adversely affect both the Company's subscription and content licensing revenues. In addition, if the Company decides to no longer air programming due to low ratings or other factors, the Company could incur significant programming impairments, which could have a material adverse effect on the Company's results of operations in a given period.

The failure to renew affiliate agreements on favorable terms or at all could cause the Company's subscription and advertising revenues to decline. The Company depends on agreements with affiliates for the distribution of Turner's cable networks and HBO and Cinemax. Competition from SVOD services and new distribution platforms is increasing the pressure on affiliates to control their programming costs in order to continue to attract and retain subscribers. As affiliates continue to try to control their programming costs, it may be more difficult for the Company to renew its affiliate agreements on terms, including those related to pricing, packaging and positioning, that are acceptable to the Company. In addition, due to consolidation among affiliates in the U.S. and consolidation and growth of large multi-territory distribution companies internationally, these companies are gaining scale and negotiating power. If the Company is not able to renew its affiliate agreements on acceptable terms, its subscription revenues may not increase as much as the Company expects or could decline. In addition, the inability to renew one or more of the Company's larger affiliate arrangements would reduce the Company's subscription revenues and the reach of the Company's programming, which could make Turner's cable networks less attractive to advertisers and result in a decline in advertising revenues.

A decline in the number of multichannel video service subscribers could cause the Company's subscription revenues to decline. If multichannel video service rates charged by affiliates continue to increase or economic conditions worsen, subscribers may (i) cancel their multichannel video service subscriptions, (ii) cancel their subscriptions to HBO and Cinemax or (iii) elect to subscribe to lower-priced programming packages that may not include HBO, Cinemax or all of Turner's cable networks. In addition, consumers, particularly younger consumers, may choose to subscribe to SVOD services as an alternative to multichannel video services provided by affiliates. The number of HBO and Cinemax subscribers could also decline if affiliates choose not to market, or reduce their marketing of, HBO and Cinemax. A decline in the number of subscribers to multichannel video services or HBO or Cinemax could result in a decrease in the Company's subscription revenues.

A decrease in demand for the television programming produced by Warner Bros. could adversely affect the Company's revenues. Warner Bros. is a leading producer of high-quality television programming, as well as a leader in the international

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distribution of U.S.-produced television programming. Despite its strong competitive position, Warner Bros. television production business, is largely dependent on the strength of the U.S. broadcast networks, basic cable networks and local television stations, and their demand for Warner Bros. television programming. If there is a decrease in such demand, it could decrease the overall scale of Warner Bros. television production business, reduce the aggregate license fees for its television programming in the short-term and reduce the aggregate syndication revenues for its television programming in the long-term. The following factors could increase the likelihood of a decrease in such demand in the U.S.: (i) consolidation among television station groups and vertical integration between station groups and broadcast networks, thereby reducing the number of buyers for Warner Bros. programming; (ii) vertical integration between television production studios and broadcast networks, resulting in increased reliance by networks on their in-house and affiliated television production studios; and (iii) emergence of technological advances and alternative viewing options that could reduce the lifetime value of television programming. In international territories, the increasing popularity of locally produced television content could result in decreased demand and lower license fees for the Company's U.S.-produced television programming.

An increase in the costs incurred by Turner and Home Box Office to acquire or produce popular programming could adversely affect the Company's operating results. Competition to acquire popular programming is intense, and the growing number of SVOD services has increased competition in the U.S. and internationally. Turner may have to increase the price it is willing to pay for acquired and sports programming, including the renewal of programming it currently licenses. Acquired and sports programming costs may also increase if Turner seeks the right to distribute the programming on digital platforms and the right to exhibit programming exclusively during the applicable license period. In addition, the increased amount of original programming aired by cable networks, premium pay television services and SVOD services could drive up talent and production costs. If increases in Turner's and Home Box Office's costs to produce or acquire popular programming are not offset by increases in advertising rates and affiliate fees when affiliate agreements are renewed, the Company's results of operations could be adversely affected.

The Company's results of operations could be adversely affected if there is a decline in advertising spending, which could be caused by a number of factors. A decline in the economic prospects of advertisers or the economy in general could cause current or prospective advertisers to spend less on television advertising or spend their advertising dollars in other media. Television advertising expenditures also could be negatively affected by (i) increasing audience fragmentation caused by increased availability of alternative forms of leisure and entertainment activities; (ii) the increased use of digital video recorders to skip advertisements; (iii) pressure from public interest groups to reduce or eliminate advertising of certain products on television; (iv) new laws and regulations that prohibit or restrict certain types of advertisements; and (v) natural disasters, extreme weather, acts of terrorism, political uncertainty or hostilities, because there may be uninterrupted news coverage of such events that disrupts regular television programming. In addition, advertisers' willingness to purchase advertising time from the Company may be adversely affected by a decline in audience ratings for the programming aired on Turner's cable networks. If ratings decline significantly, Turner's cable networks generally will be required to provide additional advertising time to advertisers to reach agreed-on audience delivery thresholds. This may result in Turner's cable networks having less advertising time available to sell or to use to promote their own programming. Finally, if the television ratings system is not changed so that it captures the viewership of Turner's programming through digital video recorders, VOD and mobile devices, advertisers may not be willing to pay advertising rates based on the increasing viewership that occurs after the initial airing of a program and on digital platforms.

The Company's results of operations may be adversely affected if the growth in digital sales of television content and feature films do not exceed and offset the decline in physical disc sales. Several factors have contributed to an industry-wide decline in sales of physical discs in recent years, including consumers shifting to SVOD services;

consumers electing to rent films using discount rental kiosks, which generate significantly less profit per transaction for the Company than the sale of physical discs; changing retailer strategies and initiatives (e.g., reduction in floor space devoted to physical discs); retail store closures; weak economic conditions; increasing competition for consumer discretionary time and spending; and piracy. The Company's efforts to offset the decline in sales of physical discs and to make digital ownership of content more compelling to consumers (e.g., UltraViolet and EST) may not be successful or may take several more years to become successful.

If the Company fails to compete successfully against alternative sources of entertainment and news, there may be an adverse effect on the Company's results of operations. The Company competes with all other sources of entertainment and news, including television, premium pay television services, SVOD services, feature films, the Internet, home entertainment

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products, videogames, social networking, print media, pirated content, live sports and other events, for consumers leisure and entertainment time and discretionary spending. The number of media and entertainment choices available to consumers has made it much more difficult to attract and obtain their attention and time. There can be no assurance that the Company will be able to compete successfully in the future against existing or new competitors.

The Company is exposed to risks associated with weak domestic and global economic conditions and increased volatility and disruption in the financial markets. The Company's financial condition and results of operations may be adversely affected by weak domestic and global economic conditions and the impact of those conditions on advertisers, affiliates, suppliers, retailers, insurers, theater operators and others with which it does business. The global economy continues to be volatile, with particular regions and countries, such as Argentina, Brazil, the Eurozone, India, Russia and Venezuela, facing uncertain or slow economic growth. These conditions could lead to lower consumer spending for the Company's content and products in these regions and countries, particularly if advertisers, licensees, retailers, theater operators and consumers reduce their demand for the Company's content and products due to the negative impact of these conditions on them. Consumer spending in these regions and countries may be further negatively impacted by governmental actions to manage national economic matters, whether through austerity or stimulus measures or initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers.

Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for the Company to refinance outstanding indebtedness and obtain new financing. In addition, the adoption of new statutes and regulations, new interpretations of existing statutes and regulations or the enforcement of laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Disruptions in the financial markets can also adversely affect the Company's lenders, insurers and counterparties, including vendors, retailers and film co-financing partners. The inability of the Company's counterparties to obtain capital on acceptable terms could impair their ability to perform under agreements with the Company and lead to negative effects on the Company, including business disruptions, decreased revenues, increases in bad debt expenses and, in the case of film co-financing partners, greater risk to the Company with respect to the performance of its feature films.

The Company faces risks relating to conducting business internationally that could adversely affect its businesses and operating results. It is important for the Company to achieve sufficient scale in key international territories in a cost-effective manner to be able to compete successfully in those territories. Failure to achieve sufficient scale could adversely affect the Company's results of operations. In addition, there are risks inherent in international business operations, including:

issues related to integrating and managing international operations and investments;

potentially adverse tax developments;

lack of sufficient protection for intellectual property in some countries;

territorial restrictions on content licensing;

currency exchange restrictions, export controls and currency devaluation risks in some foreign countries, including, but not limited to, Argentina and Venezuela;

the existence in some countries of statutory shareholder minority rights and restrictions on foreign direct ownership;

the existence of quotas and other content-related limitations or restrictions (e.g., government censorship);

restrictions on television advertising, marketing and network packaging;

issues related to occupational safety and adherence to local labor laws and regulations;

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political or social unrest;

higher than anticipated costs of entry;

the presence of corruption in certain countries;

the absence of good diplomatic relations between the U.S. and certain countries; and

the potential for government appropriation of the Company's assets.

One or more of these factors could harm the Company's international operations or investments and its operating results.

In addition, some of the Company's operations are conducted in foreign currencies, and the value of these currencies fluctuates in relation to the U.S. dollar. The Company is exposed to foreign currency exchange rate fluctuations. Although the Company hedges a portion of its foreign currency exposures, significant fluctuations in exchange rates in the past have had, and in the future could have, an adverse effect on the Company's results of operations in a given period.

Some of the Company's businesses generate cash receipts in Venezuela. The Venezuelan government has imposed significant limits on the exchange of local currency into U.S. dollars in recent years. Although Venezuela implemented changes during 2014 that increase the potential to convert Venezuelan Bolivars Fuertes (VEF) to U.S. dollars, the Company has been unable to exchange its VEF to U.S. dollars, and there can be no assurance as to when or if or the rate at which the Company will be able to exchange its VEF to U.S. dollars.

Increased piracy of the Company's content, products and other intellectual property may further decrease the revenues received from the legitimate sale, licensing and distribution of its content and adversely affect its business and profitability. The Company continues to be negatively affected by piracy, and an increase in the piracy of the Company's content, products and other intellectual property could reduce the revenues the Company earns from the legitimate sale, licensing and distribution of its content, products and other intellectual property. The risks relating to piracy have increased in recent years due to technological developments that have made it easier to create, distribute and store high-quality unauthorized copies of content, such as the proliferation of cloud-based storage and streaming services, increased broadband Internet speeds and penetration rates, and increased speed of mobile data transmission. Piracy is particularly prevalent in countries that lack effective copyright and technical legal protections or enforcement measures, and illegitimate operators based in those parts of the world can attract viewers from anywhere in the world. The Company devotes substantial resources to protecting its content, products and intellectual property, but the Company's efforts to enforce its rights and combat piracy may not be successful.

The Company's operating results may suffer if it cannot continue to license and exploit its intellectual property rights. The Company relies on a combination of patents, copyrights, trademarks, tradenames and other proprietary rights, as well as contractual arrangements, including licenses, to establish, maintain and protect its intellectual property rights. Effective intellectual property protection may not be available in every country in which the Company does business. The Company may not be able to acquire or maintain appropriate domain names in all countries in

which it does business or prevent others from acquiring domain names that are similar to, infringe on, or diminish the value of, the Company's trademarks and other proprietary rights. Companies that license the Company's intellectual property also may take actions that diminish the value of the Company's intellectual property or harm the Company's reputation.

The Company's intellectual property rights may not be sufficient to permit it to take advantage of business opportunities, such as new distribution platforms. As a result, the Company may be required to change its plans or acquire the necessary intellectual property rights, which could be costly.

The protection of the Company's intellectual property may require the Company to spend significant amounts of money. Further, the steps the Company takes to protect its intellectual property may not adequately protect its rights or prevent others from infringing or misappropriating its intellectual proprietary rights. Any impairment of the Company's intellectual property rights, including due to changes in U.S. or foreign intellectual property laws or the absence of effective

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legal protections or enforcement measures, could adversely impact the Company's businesses, financial condition and results of operations.

The Company has been, and may be in the future, subject to claims that it infringed intellectual property rights of others, which could require the Company to change its business practices. Successful claims that the Company infringes on the intellectual property rights of others could require the Company to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability, be prohibited preliminarily or permanently from further use of the intellectual property in question or require the Company to change its business practices to stop the infringing use, which could limit its ability to compete effectively. Even if the Company believes a claim of intellectual property infringement is without merit, defending against the claim can be time-consuming and costly and divert management's attention and resources away from its businesses.

The Company's businesses are subject to labor interruption. The Company and some of its suppliers and business partners retain the services of writers, directors, actors, athletes, technicians, trade employees and others involved in the development and production of its television programming and feature films who are covered by collective bargaining agreements. If negotiations to renew expiring collective bargaining agreements are not successful or become unproductive, the affected unions could take actions such as strikes, work slowdowns or work stoppages. Strikes, work slowdowns or work stoppages or the possibility of such actions could result in delays in the production of the Company's television programming and feature films. The Company could also incur higher costs from such actions, new collective bargaining agreements or the renewal of collective bargaining agreements on less favorable terms. Many of the collective bargaining agreements that cover individuals providing services to the Company are industry-wide agreements, and the Company may lack practical control over the negotiations and terms of these agreements. Union or labor disputes or player lock-outs relating to certain professional sports leagues may preclude the Company from producing and telecasting scheduled games or events and could negatively impact the Company's promotional and marketing opportunities. Depending on their duration, such union or labor disputes or player lock-outs could have an adverse effect on the Company's results of operations.

Service disruptions or failures of the Company's or its vendors' information systems and networks as a result of computer viruses, misappropriation of data or other bad acts, natural disasters, extreme weather, accidental releases of information or other similar events, may disrupt the Company's businesses, damage its reputation or have a negative impact on its results of operations. Shutdowns or service disruptions of information systems or networks at the Company or vendors that provide information systems, networks or other services to the Company pose increasing risks. Such disruptions may be caused by third-party hacking of computers and systems; dissemination of computer viruses, worms and other destructive or disruptive software; denial of service attacks and other bad acts, as well as power outages, natural disasters, extreme weather, terrorist attacks, or other similar events. Shutdowns or disruption from such events could have an adverse impact on the Company and its customers, including degradation or disruption of service, loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and the Company's disaster recovery planning may not be sufficient to cover everything that could happen. Significant events could result in a disruption of the Company's operations, reduced revenues, the loss of or damage to the integrity of data used by management to make decisions and operate the Company's business, customer or advertiser dissatisfaction, damage to the Company's reputation or brands or a loss of customers. In addition, the Company may not have adequate insurance coverage to compensate it for any losses associated with such events.

The Company is also subject to risks caused by the misappropriation, misuse, falsification or intentional or accidental release or loss of data maintained in the information systems and networks of the Company and its vendors, including

confidential personnel, customer or vendor data. Outside parties may attempt to penetrate the Company's systems or those of its vendors or fraudulently induce employees or customers of the Company or employees of its vendors to disclose sensitive information to obtain or gain access to the Company's data. If a material breach of the Company's information systems or that of its vendors occurs, the market perception of the effectiveness of the Company's information security measures could be harmed, the Company could lose customers and advertisers, and its reputation, brands and credibility could be damaged. In addition, if a material breach of its information systems occurs, the Company could be required to expend significant amounts of money and other resources to repair or replace information systems or networks or to comply with notification requirements. The Company also could be subject to actions by regulatory authorities and claims asserted in private litigation in the event of a breach of the information systems of the Company or its vendors.

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Although the Company develops and maintains information security practices and systems designed to prevent these events from occurring, the development and maintenance of these systems are costly and require ongoing monitoring and updating as technologies change and tactics to overcome information security measures become more sophisticated. Moreover, despite the Company's efforts, the possibility of these events occurring cannot be eliminated entirely. As the Company distributes more of its content digitally, engages in more electronic transactions with consumers, increases the number of information technology systems used in its business operations, relies more on cloud-based services and information systems and increases its use of third-party service providers to perform information technology services, the related information security risks will continue to increase and the Company will need to expend additional resources to protect its information systems, networks and data.

Service disruptions or the failure of communications satellites or transmitter facilities relied on by HBO, Cinemax and Turner's cable networks could have a negative impact on the Company's revenues. HBO, Cinemax and Turner's cable networks rely on communications satellites and transmitter facilities to transmit their programming to affiliates. Shutdowns of satellites and transmitter facilities or service disruptions pose significant risks to the Company's operations. Such disruptions may be caused by power outages, natural disasters, extreme weather, terrorist attacks, failures or impairments of communications satellites or on-ground uplinks or downlinks used to transmit programming, or other similar events. If a satellite is not able to transmit the Company's programming, the Company may not be able to secure an alternative communication satellite in a timely manner, because there are a limited number of communications satellites available for the transmission of programming. If such an event were to occur, there could be a disruption in the delivery of the Company's programming, which could harm the Company's reputation and adversely affect the Company's results of operations.

The Company's businesses are subject to regulation in the U.S. and internationally, which could cause the Company to incur additional costs or liabilities or disrupt its business practices. The Company's businesses are subject to a variety of U.S. and international laws and regulations. See Item 1, Business Regulatory Matters, for a description of significant U.S. federal, state, local and international laws, regulations, regulatory agency inquiries, rulemaking proceedings and other developments affecting the Company and its businesses. The Company could incur significant costs to comply with new laws or regulations or changes in interpretations of laws or regulations or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws or regulations also could cause the Company to change or limit its business practices in a manner that is adverse to its businesses. In addition, if there are changes in laws or regulations that provide protections that the Company relies on in conducting its businesses, these changes could subject the Company to greater risk of liability and could increase compliance costs or limit the Company's ability to operate certain lines of business.

The Company's cost reduction initiatives present various risks, including the risk that the Company may not realize the financial and strategic goals relating to the initiatives. During the third and fourth quarters of 2014, the Company incurred significant restructuring and severance costs related to restructuring activities designed to position the Company for the current and future operating environment and reallocate resources to the Company's growth initiatives. The reductions in the Company's workforce from these restructuring activities could cause disruptions to the Company's operations, and the Company's anticipated cost savings from the workforce reductions may be less than initially expected. The Company has also launched multi-year enterprise efficiency initiatives to deliver certain business support services (e.g., real estate and certain information technology functions) centrally to the Company's divisions. In connection with these initiatives, the Company may incur greater than anticipated expenses, fail to realize anticipated benefits, experience business disruptions or have difficulty executing the initiatives.

If the separation of any of Time Inc., AOL Inc. (AOL) or Time Warner Cable Inc. (TWC) is determined to be taxable for income tax purposes, Time Warner and/or Time Warner's shareholders who received shares of Time Inc., AOL or TWC (as applicable) in connection with the respective spin-off of those companies could incur significant income tax liabilities. In connection with the legal and structural separation from the Company of (i) Time Inc. in June 2014 and (ii) AOL in December 2009, Time Warner received an opinion of counsel confirming that the applicable separation transaction should not result in the recognition, for U.S. Federal income tax purposes, of gain or loss to Time Warner or its shareholders, except to the extent of cash received in lieu of fractional shares in such transaction. In connection with the legal and structural separation of TWC from the Company in March 2009, Time Warner received a private letter ruling from the Internal Revenue Service (IRS) and opinions of counsel confirming that the TWC separation should not result in the recognition, for U.S. Federal income tax purposes, of gain or loss to Time Warner or its shareholders, except to the extent of

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cash received in lieu of fractional shares. The IRS ruling and the opinions of counsel in connection with these transactions were based on, among other things, certain facts, assumptions, representations and undertakings that were made by Time Warner and Time Inc., AOL or TWC, as applicable, in connection with the applicable separation transaction. If any of these facts, assumptions, representations or undertakings is incorrect or not otherwise satisfied, Time Warner and its shareholders may not be able to rely on the IRS ruling (in the case of the TWC separation transaction) or opinion and could be subject to significant tax liabilities. Furthermore, opinions of counsel are not binding on the IRS or state or local tax authorities or the courts, and a tax authority or court could determine that one or more of the separation transactions should be treated as a taxable transaction. Under the tax matters agreement Time Warner entered into with each of Time Inc., AOL and TWC in connection with the respective separation transactions, Time Warner is entitled to indemnification from the applicable former subsidiary for taxes resulting from the failure of the applicable separation transaction to qualify as tax-free as a result of (i) certain actions or failures to act by the former subsidiary or (ii) the failure of certain representations made by the former subsidiary to be true. However, if transaction taxes are incurred for other reasons, Time Warner would not be entitled to indemnification.

Item 1B. *Unresolved Staff Comments.*

Not applicable.

Item 2. *Properties.*

Time Warner's headquarters are located in New York City at One Time Warner Center. The Company also owns or leases offices; studios; technical, production and warehouse spaces; satellite transmission facilities; and other properties in numerous locations in the United States and around the world for its businesses. The Company considers its properties adequate for its current needs. The following table sets forth information as of December 31, 2014 with respect to the Company's principal properties:

Location	Principal Use	Approximate Square Feet Floor Space	Type of Ownership; Expiration Date of Lease
New York, NY	Executive, business and administrative offices, studios, technical space and screening room (Corporate HQ and Turner)	940,000	Leased by the Company. Lease expires in 2019. ^(a)
Hong Kong	Executive, business and administrative offices, a studio, technical space and screening room (Corporate, Turner and Warner Bros.)	110,000	Leased by the Company. Lease expires in 2018. Approx. 22,000 sq. ft. is sublet to unaffiliated third-party tenants.
London, England	Executive, business and administrative offices, studios	100,000	Leased by the Company. Lease expires in 2019.

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Turner House 16 Great Marlborough St. Atlanta, GA	and technical space (Corporate, Turner and Home Box Office)		
One CNN Center Atlanta, GA	Executive, business and administrative offices, studios and technical and retail space (Turner)	1,280,000	Owned by the Company. Approx. 68,000 sq. ft. is leased to unaffiliated third-party tenants.
1050 Techwood Dr. Santiago, Chile	Executive, business and administrative offices, studios and technical space (Turner)	1,170,000	Owned by the Company.
Pedro Montt 2354 Buenos Aires, Argentina	Business offices, studios and technical space (Turner)	254,000	Owned by the Company.
599 & 533 Defensa St.	Business offices, studios and technical space (Turner)	129,000	Owned by the Company.

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Location	Principal Use	Approximate Square Feet Floor Space	Type of Ownership; Expiration Date of Lease
Washington, DC 820 First St.	Business offices, studios and technical space (Turner)	102,000	Leased by the Company. Lease expires in 2020.
Santiago, Chile Ines Matte Urrejola #0890 Provencia - Central	Business offices, studios and technical space (Turner)	90,000	Leased by the Company. Lease expires in 2016.
Los Angeles, CA 6430 Sunset Blvd.	Business offices, studios and technical space (Turner)	37,000	Leased by the Company. Lease expires in 2022.
New York, NY 1100 and 1114 Ave. of the Americas	Executive, business and administrative offices and technical space (Home Box Office)	673,000	Leased by the Company under two leases expiring in 2018.
Santa Monica, CA 2500 Broadway	Executive, business and administrative offices and technical space (Home Box Office)	128,000	Leased by the Company. Lease expires in 2019.
Hauppauge, NY 300 New Highway	Business offices, communications center, production facility and technical space (Home Box Office)	115,000	Owned by the Company.
New York, NY 120A East 23 rd Street	Business and administrative offices, studios and technical space (Home Box Office)	82,000	Leased by the Company. Lease expires in 2018.
Burbank, CA The Warner Bros. Studio	Executive, business and administrative offices, sound stages, administrative, technical and dressing room structures, screening theaters, machinery and equipment facilities, tour operations, back lot and parking lot/structures (Warner Bros.)	4,677,000 ^(b)	Owned by the Company.
Leavesden, UK	Business and administrative offices, sound stages, technical	727,000	Owned by the Company.

Leavesden Studios	and dressing room structures, machinery and equipment facilities, tour operations, back lot and parking lots (Warner Bros.)		
Burbank, CA 3400 Riverside Dr.	Executive, business and administrative offices (Warner Bros.)	421,000	Leased by the Company. Lease expires in 2019.
Burbank, CA 3300 W. Olive Ave.	Executive, business and administrative offices and technical space (Warner Bros.)	231,000	Leased by the Company. Lease expires in 2021.
London, England 98 Theobald Rd.	Business and administrative offices and screening room (Warner Bros.)	135,000	Leased by the Company. Lease expires in 2019.

(a) The Company plans to move to a new corporate headquarters in early 2019.

(b) Represents 4,677,000 sq. ft. of improved space on 158 acres. Ten acres consist of various parcels adjoining The Warner Bros. Studio with mixed commercial and office uses.

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Item 3. *Legal Proceedings.*

In the ordinary course of business, the Company and its subsidiaries are defendants in or parties to various legal claims, actions and proceedings. These claims, actions and proceedings are at varying stages of investigation, arbitration or adjudication, and involve a variety of areas of law.

On October 8, 2004, certain heirs of Jerome Siegel, one of the creators of the Superman character, filed suit against the Company, DC Comics and Warner Bros. Entertainment Inc. in the U.S. District Court for the Central District of California. Plaintiffs' complaint alleged, among other things, that plaintiffs terminated Siegel's grants of one-half the rights in the Superman character as of April 16, 1999, and plaintiffs were entitled to up to one-half of the profits made on Superman since that date. On March 26, 2008, the court entered summary judgment, finding that plaintiffs' termination notices were valid and recaptured a one-half interest in the Superman character as of April 16, 1999. On January 10, 2013, the U.S. Court of Appeals for the Ninth Circuit reversed the March 2008 summary judgment decision, holding that the parties reached a binding settlement agreement in 2001. By orders dated March 20, 2013, April 18, 2013, and June 18, 2013, the district court entered final judgment in this lawsuit and the related Superboy lawsuit, described below, in DC Comics' favor, ruling that the plaintiffs had transferred any and all rights in the Superman and Superboy properties to DC Comics in 2001 pursuant to a binding settlement agreement. On July 16, 2013, the plaintiffs filed an appeal from the final judgment to the U.S. Court of Appeals for the Ninth Circuit.

On October 22, 2004, the same Siegel heirs filed a related lawsuit against the same defendants, as well as Warner Communications Inc. (now known as Warner Communications LLC) and Warner Bros. Television Production Inc. (now known as WB Studio Enterprises Inc.), in the U.S. District Court for the Central District of California. Plaintiffs claimed that Siegel was the sole creator of the character Superboy and, as such, DC Comics has had no right to create new Superboy works since plaintiffs' alleged October 17, 2004 termination of Siegel's grants of rights to the Superboy character. Plaintiffs sought a declaration regarding the validity of the alleged termination and an injunction against future use of the Superboy character. As described in the paragraph above regarding the Superman lawsuit, by orders dated March 20, 2013, April 18, 2013 and June 18, 2013, the district court entered final judgment in DC Comics' favor, ruling that the plaintiffs had transferred any and all rights in the Superman and Superboy properties to DC Comics in 2001 pursuant to a binding settlement agreement. On July 16, 2013, the plaintiffs filed an appeal from the final judgment to the U.S. Court of Appeals for the Ninth Circuit.

On May 14, 2010, DC Comics filed a related lawsuit in the U.S. District Court for the Central District of California against the heirs of Superman co-creator Joseph Shuster, the Siegel heirs, their attorney Marc Toberoff and certain companies that Mr. Toberoff controls. The lawsuit asserted, among other things, a claim for declaratory relief concerning the validity of the copyright termination notice served by the Shuster heirs, who purported to reclaim their rights to the Superman character from DC Comics with the termination notice. The lawsuit also asserted state law based claims, including seeking declaratory relief challenging the validity of various agreements between Mr. Toberoff, certain companies that he controls and the Shuster and Siegel heirs, as well as claims for intentional interference by Mr. Toberoff with DC Comics' contracts and prospective economic advantage with the Shuster and Siegel heirs for which DC Comics sought monetary damages. On October 17, 2012, the district court granted summary judgment in favor of DC Comics, holding that the copyright termination notice served by the Shuster heirs was invalid and that the Shuster heirs had transferred any and all rights in the Superman properties to DC Comics in 1992 pursuant to a binding agreement with DC Comics. On November 21, 2013, the U.S. Court of Appeals for the Ninth Circuit affirmed the district court's October 2012 decision. On October 6, 2014, the U.S. Supreme Court denied the Shuster heirs' petition for writ of *certiorari*. DC Comics' other claims against the Siegel heirs, Mr. Toberoff and certain companies that Mr. Toberoff controls were either dismissed by the district court or deemed moot following the U.S. Supreme Court's denial of the Shuster heirs' petition for writ of *certiorari*. On December 9, 2014, DC Comics

appealed the dismissal of its claims against Mr. Toberoff and his companies, and on December 23, 2014, Mr. Toberoff and his companies filed a cross-appeal with the U.S. Court of Appeals for the Ninth Circuit.

The Company has prevailed on the primary issues regarding its rights to the Superman and Superboy properties in the matters described above and believes the claims that remain within the scope of the appeals pending before the U.S. Court of Appeals for the Ninth Circuit are not material to the Company's results of operations or cash flows. Accordingly, the Company does not intend to include disclosure regarding these matters in its future periodic reports.

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On April 4, 2007, the National Labor Relations Board (NLRB) issued a complaint against CNN America Inc. (CNN America) and Team Video Services, LLC (Team Video). This administrative proceeding relates to CNN America's December 2003 and January 2004 terminations of its contractual relationships with Team Video, under which Team Video had provided electronic newsgathering services in Washington, DC and New York, NY. The National Association of Broadcast Employees and Technicians, under which Team Video's employees were unionized, initially filed charges of unfair labor practices with the NLRB in February 2004, alleging that CNN America and Team Video were joint employers, that CNN America was a successor employer to Team Video, and/or that CNN America discriminated in its hiring practices to avoid becoming a successor employer or due to specific individuals' union affiliation or activities. The NLRB complaint seeks, among other things, the reinstatement of certain union members and monetary damages. On November 19, 2008, the presiding NLRB Administrative Law Judge (ALJ) issued a non-binding recommended decision and order, finding CNN America liable. On September 15, 2014, a three-member panel of the NLRB affirmed the ALJ's decision and adopted the ALJ's order with certain modifications. On September 16, 2014, CNN America filed a notice of appeal with the U.S. Court of Appeals for the D.C. Circuit. On November 12, 2014, both CNN America and the General Counsel of the NLRB filed motions with the NLRB for reconsideration of the panel's decision. On December 17, 2014, CNN America's appeal to the U.S. Court of Appeals was placed on hold pending resolution of the motions for reconsideration.

In April 2013, the Internal Revenue Service (the IRS) Appeals Division issued a notice of deficiency to the Company relating to the appropriate tax characterization of stock warrants received from Google Inc. in 2002. On May 6, 2013, the Company filed a petition with the United States Tax Court seeking a redetermination of the deficiency set forth in the notice. The Company's petition asserts that the IRS erred in determining that the stock warrants were taxable upon exercise (in 2004) rather than at the date of grant based on, among other things, a misapplication of Section 83 of the Internal Revenue Code. In December 2014, the Company reached a preliminary agreement with the IRS to resolve the issues raised in the notice of deficiency. Final resolution of these issues is subject to agreement regarding certain necessary computations and the preparation and execution of definitive documentation.

The Company intends to vigorously defend against or prosecute, as applicable, the matters described above.

The Company establishes an accrued liability for legal claims when the Company determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters.

For matters disclosed above for which a loss is probable or reasonably possible, whether in excess of an accrued liability or where there is no accrued liability, the Company has estimated a range of possible loss. The Company believes the estimate of the aggregate range of possible loss in excess of accrued liabilities for such matters is between \$0 and \$130 million at December 31, 2014. The estimated aggregate range of possible loss is subject to significant judgment and a variety of assumptions. The matters represented in the estimated aggregate range of possible loss will change from time to time and actual results may vary significantly from the current estimate.

In view of the inherent difficulty of predicting the outcome of litigation and claims, the Company often cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be. An adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

Item 4. *Mine Safety Disclosures.*

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

Pursuant to General Instruction G(3) to Form 10-K, the information regarding the Company's executive officers required by Item 401(b) of Regulation S-K is hereby included in Part I of this report.

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The following table sets forth the name of each executive officer of the Company, the office held by such officer and the age of such officer as of February 1, 2015.

Name	Age	Office
Jeffrey L. Bewkes	62	Chairman and Chief Executive Officer
Howard M. Averill	51	Executive Vice President and Chief Financial Officer
Paul T. Cappuccio	53	Executive Vice President and General Counsel
Gary Ginsberg	52	Executive Vice President, Corporate Marketing & Communications
Karen Magee	53	Executive Vice President and Chief Human Resources Officer
Carol A. Melton	60	Executive Vice President, Global Public Policy
Olaf Olafsson	52	Executive Vice President, International & Corporate Strategy

Set forth below are the principal positions held by each of the executive officers named above:

Mr. Bewkes	Chairman and Chief Executive Officer since January 2009; prior to that, Mr. Bewkes served as President and Chief Executive Officer from January 2008 and President and Chief Operating Officer from January 2006. Mr. Bewkes has been a Director of the Company since January 2007. Prior to January 2006, Mr. Bewkes served as Chairman, Entertainment & Networks Group from July 2002 and, prior to that, Mr. Bewkes served as Chairman and Chief Executive Officer of HBO from May 1995, having served as President and Chief Operating Officer from 1991.
Mr. Averill	Executive Vice President and Chief Financial Officer since January 2014; prior to that, Mr. Averill served as Senior Vice President & Deputy Chief Financial Officer from September 2013 through December 2013. Mr. Averill served as Executive Vice President & Chief Financial Officer of Time Inc. from 2007 to September 2013. Prior to that, Mr. Averill was Executive Vice President and Chief Financial Officer at NBC Universal Television from 2005 to 2007 and held other executive positions at NBC Universal, Inc. from 1997 to 2005. Prior to these positions, he held positions with ITT/Sheraton Corporation, Pepsi-Cola Company and Arthur Andersen & Co.
Mr. Cappuccio	Executive Vice President and General Counsel since January 2001; prior to that, Mr. Cappuccio served as Senior Vice President and General Counsel of AOL from August 1999. From 1993 to 1999, Mr. Cappuccio was a partner at the Washington, D.C. office of the law firm of Kirkland & Ellis. Mr. Cappuccio was an Associate Deputy Attorney General at the U.S. Department of Justice from 1991 to 1993.
Mr. Ginsberg	Executive Vice President, Corporate Marketing & Communications since April 2010; prior to that, Mr. Ginsberg served as an Executive Vice President at News Corporation from January 1999 to December 2009, most recently serving as Executive Vice President of Global Marketing and

Corporate Affairs. Prior to that, Mr. Ginsberg served as Managing Director at the strategic consulting firm Clark & Weinstock from November 1996 to December 1998, Senior Editor and Counsel of *George* magazine from March 1995 to November 1996, and Assistant Counsel to President Clinton and Senior Counsel at the U.S. Department of Justice from January 1993 to November 1994.

Ms. Magee

Executive Vice President and Chief Human Resources Officer since January 2014; prior to that, Ms. Magee served as Senior Vice President and Chief Human Resources Officer from January 2011 through December 2013 and as Senior Vice President, Administration, Shared Services from March 2010 to January 2011. Prior to that, Ms. Magee served as the Chief Executive Officer of PlanetOut Inc. from 2006 to 2009. Prior to that, Ms. Magee served as Senior Vice President of Strategic Planning at the Company from 2004 to 2006, as Vice President and then Senior Vice President of Strategic Planning at Time Inc. from 2001 to 2004. Prior to these positions, Ms. Magee served in various roles at Time Inc.

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Ms. Melton	Executive Vice President, Global Public Policy since June 2005; prior to that, Ms. Melton worked for eight years at Viacom Inc., serving as Executive Vice President, Government Relations at the time she left to rejoin Time Warner. Prior to that, Ms. Melton served as Vice President in Time Warner's Public Policy Office until 1997, having joined the Company in 1987 after having served as Legal Advisor to the Chairman of the FCC.
Mr. Olafsson	Executive Vice President, International & Corporate Strategy since March 2003. During 2002, Mr. Olafsson pursued personal interests, including working on a novel that was published in the fall of 2003. Prior to that, he was Vice Chairman of Time Warner Digital Media from November 1999 through December 2001 and, prior to that, Mr. Olafsson served as President of Advanta Corp. from March of 1998 until November 1999.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

The Company is a corporation organized under the laws of Delaware, and was formed on February 4, 2000 in connection with the Company's January 2001 merger with America Online, Inc. The principal market for the Company's Common Stock is the NYSE. For quarterly price information with respect to the Company's Common Stock for the two years ended December 31, 2014, see "Quarterly Financial Information" at pages 128 through 129 herein, which information is incorporated herein by reference. The number of holders of record of the Company's Common Stock as of February 19, 2015 was 16,495.

The Company paid a cash dividend of \$0.2875 per share in each quarter of 2013 and a cash dividend of \$0.3175 per share in each quarter of 2014.

On February 10, 2015, the Company's Board of Directors approved an increase in the quarterly cash dividend to \$0.35 per share and declared the next regular quarterly cash dividend to be paid on March 15, 2015 to stockholders of record on February 28, 2015. The Company currently expects to continue to pay comparable cash dividends in the future. Changes to the Company's dividend policy will depend on the Company's earnings, investment opportunities, capital requirements, financial condition, economic conditions and other factors considered relevant by the Company's Board of Directors.

Company Purchases of Equity Securities

The following table provides information about the Company's purchases of equity securities registered by the Company pursuant to Section 12 of the Exchange Act, as amended, during the quarter ended December 31, 2014.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs⁽¹⁾
October 1, 2014 - October 31, 2014	4,753,846	\$ 75.61	4,753,846	\$ 5,141,540,405
November 1, 2014 - November 30, 2014	3,731,801	\$ 79.52	3,731,801	\$ 4,844,769,676
December 1, 2014 - December 31, 2014	4,079,778	\$ 84.22	4,079,778	\$ 4,501,187,486
Total	12,565,425	\$ 79.57	12,565,425	\$ 4,501,187,486

⁽¹⁾ These amounts do not give effect to any fees, commissions or other costs associated with the share repurchases.

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- (2) On February 5, 2014, the Company announced that its Board of Directors had authorized a total of \$5.0 billion in share repurchases beginning January 1, 2014, including the approximately \$301 million remaining at December 31, 2013 from the prior \$4.0 billion authorization. On August 6, 2014, the Company announced that its Board of Directors had authorized an additional \$5.0 billion of share repurchases. Purchases under the stock repurchase program may be made, from time to time, on the open market and in privately negotiated transactions. The size and timing of these purchases will be based on a number of factors, including price and business and market conditions. In the past, the Company has repurchased shares of its common stock pursuant to trading plans under Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended, and it may repurchase shares of its common stock utilizing such trading plans in the future.

Item 6. *Selected Financial Data.*

The selected financial information of the Company for the five years ended December 31, 2014 is set forth at page 127 herein and is incorporated herein by reference.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The information set forth under the caption Management's Discussion and Analysis of Results of Operations and Financial Condition at pages 36 through 65 herein is incorporated herein by reference.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The information set forth under the caption Market Risk Management at pages 63 through 64 herein is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data.*

The consolidated financial statements and supplementary data of the Company and the report of independent registered public accounting firm thereon set forth at pages 66 through 123, 130 through 138 and 125 herein, respectively, are incorporated herein by reference.

Quarterly Financial Information set forth at pages 128 through 129 herein is incorporated herein by reference.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

Not applicable.

Item 9A. *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 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.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting and the report of independent registered public accounting firm thereon set forth at pages 124 and 126 herein are incorporated herein by reference.

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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 December 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information.

On February 24, 2015, the Company entered into an amended and restated employment agreement (the "Employment Agreement") with Howard Averill, Executive Vice President and Chief Financial Officer of the Company, that extends his term of employment through December 31, 2017. Pursuant to the Employment Agreement, Mr. Averill's compensation has been increased effective January 1, 2015 to \$1.4 million in annual salary, a target annual cash bonus equal to 250% of base salary and long-term incentive compensation with an annual target of \$4.6 million.

The terms of the Employment Agreement are substantially the same as in the agreement it replaced, except as described above.

The Compensation and Human Development Committee of the Board of Directors of the Company approved the Employment Agreement to secure the benefit of Mr. Averill's service through December 31, 2017 and in recognition of his performance as Chief Financial Officer.

PART III

Items 10, 11, 12, 13 and 14. *Directors, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters; Certain Relationships and Related Transactions, and Director Independence; Principal Accounting Fees and Services.*

Information called for by Items 10, 11, 12, 13 and 14 of Part III is incorporated by reference from the Company's definitive Proxy Statement to be filed in connection with its 2015 Annual Meeting of Stockholders pursuant to Regulation 14A, except that (i) the information regarding the Company's executive officers called for by Item 401(b) of Regulation S-K has been included in Part I of this report and (ii) the information regarding certain Company equity compensation plans called for by Item 201(d) of Regulation S-K is set forth below.

The Company has adopted a Code of Ethics for its Senior Executive and Senior Financial Officers. A copy of the Code is publicly available on the Company's website at <http://www.timewarner.com/our-company/corporate-governance/codes-of-conduct>. Amendments to the Code or any grant of a waiver from a provision of the Code requiring disclosure under applicable SEC rules will also be disclosed on the Company's website.

Table of ContentsIndex to Financial Statements**Equity Compensation Plan Information**

The following table summarizes information as of December 31, 2014 about the Company's outstanding equity compensation awards and shares of Common Stock reserved for future issuance under the Company's equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ^{(2) (3)}	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ^{(2) (3)}	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) ^{(3) (4)}
			(c)
Equity compensation plans approved by security holders ⁽¹⁾	41,509,497	\$ 36.27	30,185,137
Equity compensation plans not approved by security holders	--	\$ --	\$ --
Total ⁽²⁾	41,509,497	\$ 36.27	30,185,137

(1) Equity compensation plans approved by security holders are the (i) Time Warner Inc. 2013 Stock Incentive Plan (will expire on August 31, 2017), (ii) Time Warner Inc. 2010 Stock Incentive Plan (terminated effective August 8, 2013), (iii) Time Warner Inc. 2006 Stock Incentive Plan (terminated effective September 16, 2010), (iv) Time Warner Inc. 2003 Stock Incentive Plan (expired on May 16, 2008), (v) Time Warner Inc. 1999 Stock Plan (expired on October 28, 2009) and (vi) Time Warner Inc. 1988 Restricted Stock and Restricted Stock Unit Plan for Non-Employee Directors (expired on May 19, 2009). The Time Warner Inc. 1999 Stock Plan and the Time Warner Inc. 1988 Restricted Stock and Restricted Stock Unit Plan for Non-Employee Directors were approved in 1999 by the stockholders of America Online, Inc. and Historic TW Inc., respectively, and were assumed by the Company in connection with the merger of America Online, Inc. and Time Warner Inc. (now known as Historic TW Inc.), which was approved by the stockholders of both America Online, Inc. and Historic TW Inc. on June 23, 2000.

(2) Column (a) includes 10,528,377 shares of Common Stock underlying outstanding restricted stock units (RSUs) and 1,159,676 shares of Common Stock underlying outstanding performance stock units (PSUs), assuming a maximum payout of 200% of the target number of PSUs at the end of the applicable performance period. Because there is no exercise price associated with RSUs or PSUs, these stock awards are not included in the weighted-average exercise price calculation presented in column (b).

(3) Reflects adjustments made due to the Time Separation. See Note 12, Equity-Based Compensation, to the accompanying consolidated financial statements for more information.

(4) Of the shares available for future issuance under the Time Warner Inc. 2013 Stock Incentive Plan, a maximum of 28,173,246 shares may be issued in connection with awards of restricted stock, RSUs or PSUs

as of December 31, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1)-(2) Financial Statements and Schedules:

(i) The list of consolidated financial statements and schedules set forth in the accompanying Index to Consolidated Financial Statements and Other Financial Information at page 35 herein is incorporated herein by reference. Such consolidated financial statements and schedules are filed as part of this report.

(ii) All other financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the consolidated financial statements and notes thereto.

(3) Exhibits:

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIME WARNER INC.

By: /s/ Howard M. Averill
 Name: Howard M. Averill
 Title: Executive Vice President and
 Chief Financial Officer

Date: February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<p>/s/ Jeffrey L. Bewkes</p> <p>Jeffrey L. Bewkes</p>	<p>Director, Chairman of the Board and Chief Executive Officer (principal executive officer)</p>	<p>February 26, 2015</p>
<p>/s/ Howard M. Averill</p> <p>Howard M. Averill</p>	<p>Executive Vice President and Chief Financial Officer (principal financial officer)</p>	<p>February 26, 2015</p>
<p>/s/ Douglas E. Horne</p> <p>Douglas E. Horne</p>	<p>Senior Vice President & Controller (principal accounting officer)</p>	<p>February 26, 2015</p>
<p>/s/ James L. Barksdale</p>	<p>Director</p>	<p>February 26, 2015</p>

James L. Barksdale

/s/ William P. Barr

Director

February 26, 2015

William P. Barr

/s/ Stephen F. Bollenbach

Director

February 26, 2015

Stephen F. Bollenbach

/s/ Robert C. Clark

Director

February 26, 2015

Robert C. Clark

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Signature	Title	Date
/s/ Mathias Döpfner Mathias Döpfner	Director	February 26, 2015
/s/ Jessica P. Einhorn Jessica P. Einhorn	Director	February 26, 2015
/s/ Carlos M. Gutierrez Carlos M. Gutierrez	Director	February 26, 2015
/s/ Fred Hassan Fred Hassan	Director	February 26, 2015
/s/ Kenneth J. Novack Kenneth J. Novack	Director	February 26, 2015
/s/ Paul D. Wachter Paul D. Wachter	Director	February 26, 2015
/s/ Deborah C. Wright	Director	February 26, 2015

Deborah C. Wright

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TIME WARNER 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 Inc.'s (Time Warner or the Company) businesses, current developments, financial condition, cash flows and results of operations. MD&A is organized as follows:

Overview. This section provides a general description of Time Warner's business segments, as well as recent developments the Company believes are important in understanding the results of its operations and financial condition or in understanding anticipated future trends.

Results of operations. This section provides an analysis of the Company's results of operations for the three years ended December 31, 2014. This analysis is presented on both a consolidated and a business segment basis. In addition, a brief description of transactions and other items that affect the comparability of the results being analyzed is provided.

Financial condition and liquidity. This section provides an analysis of the Company's cash flows for the three years ended December 31, 2014 and the Company's outstanding debt and commitments as of December 31, 2014. Included in the analysis of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's ongoing operations and future commitments, as well as a discussion of other financing arrangements.

Market risk management. This section discusses how the Company monitors and manages exposure to potential gains and losses arising from changes in market rates and prices, such as interest rates, foreign currency exchange rates and changes in the market value of financial instruments.

Critical accounting policies. This section identifies those accounting policies that are considered important to the Company's results of operations and financial condition, require significant judgment and involve significant management estimates. The Company's significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements.

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 inherently susceptible to uncertainty and changes in circumstances. Refer to Item 1A, Risk Factors, in Part I of this report for a discussion of the risk factors applicable to the Company.

Separation of Time Inc.

On June 6, 2014, the Company completed the legal and structural separation of the Company's Time Inc. segment from the Company (the Time Separation). With the completion of the Time Separation, the Company disposed of the Time Inc. segment in its entirety and ceased to consolidate its assets, liabilities and results of operations in the Company's consolidated financial statements. Accordingly, the Company has recast its financial information to present the financial position and results of operations of its former Time Inc. segment as discontinued operations in the accompanying consolidated financial statements for all periods presented. See Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements. In connection with the Time Separation, the Company received \$1.4 billion from Time Inc. consisting of proceeds from Time Inc.'s acquisition of the IPC publishing business in the U.K. from a wholly-owned subsidiary of Time Warner and a special dividend.

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

OVERVIEW

Time Warner is a leading media and entertainment company whose major businesses encompass an array of the most respected and successful media brands. Among the Company's brands are TNT, TBS, Adult Swim, Cartoon Network, CNN, HBO, Cinemax, Warner Bros. and New Line Cinema. During the year ended December 31, 2014, the Company generated Revenues of \$27.359 billion (up 3% from \$26.461 billion in 2013), Operating Income of \$5.975 billion (down 5% from \$6.268 billion in 2013), Income from continuing operations of \$3.894 billion (up 16% from \$3.354 billion in 2013), Net Income attributable to Time Warner shareholders of \$3.827 billion (up 4% from \$3.691 billion in 2013) and Cash provided by operations from continuing operations of \$3.681 billion (up 13% from \$3.258 billion in 2013).

Time Warner Businesses

Time Warner classifies its operations into three reportable segments: Turner, Home Box Office and Warner Bros. For additional information regarding Time Warner's segments, refer to Note 15, Segment Information, to the accompanying consolidated financial statements.

Turner. Time Warner's Turner segment consists of businesses managed by Turner Broadcasting System, Inc. (Turner). During the year ended December 31, 2014, the Turner segment recorded Revenues of \$10.396 billion (38% of the Company's total Revenues) and Operating Income of \$2.954 billion.

Turner operates domestic and international television networks and related properties that offer entertainment, sports, kids and news programming on television and digital platforms for consumers around the world. The Turner networks and related properties include TNT, TBS, Adult Swim, truTV, Turner Classic Movies, Turner Sports, Cartoon Network, Boomerang, CNN and HLN. The Turner networks generate revenues principally from providing programming to affiliates that have contracted to receive and distribute this programming to subscribers, from the sale of advertising and from licensing its original programming, including to subscription-video-on-demand (SVOD) services, and its brands and characters for consumer products. Turner's programming is available to subscribers of affiliates for viewing on television; on demand on television; and via streaming online and on mobile devices through Turner's digital properties and services provided by affiliates. Turner also manages and operates various digital media properties that primarily consist of websites, including *bleacherreport.com*, *cartoonnetwork.com*, *CNN.com*, *CNNMoney.com*, *NBA.com* and *NCAA.com*, which generate revenues principally from the sale of advertising and sponsorships.

Home Box Office. Time Warner's Home Box Office segment consists of businesses managed by Home Box Office, Inc. (Home Box Office). During the year ended December 31, 2014, the Home Box Office segment recorded Revenues of \$5.398 billion (19% of the Company's total Revenues) and Operating Income of \$1.786 billion.

Home Box Office operates the HBO and Cinemax multi-channel premium pay television services, with the HBO service ranking as the most widely distributed multi-channel premium pay television service. HBO- and Cinemax-branded premium pay and basic tier television services are distributed in over 60 countries in Latin America, Asia and Europe. In the U.S., Home Box Office generates revenues principally from providing programming to affiliates that have contracted to receive and distribute such programming to their customers who subscribe to the HBO or Cinemax services. HBO and Cinemax programming is available in the U.S. to subscribers of affiliates for viewing on its main HBO and Cinemax channels and its multiplex channels, through Home Box Office's on demand services, HBO On Demand and Cinemax On Demand, and through Home Box Office's streaming video-on-demand services, HBO GO and MAX GO. HBO GO and MAX GO are available on a variety of digital platforms, including mobile devices, gaming consoles and Internet connected streaming devices and televisions. Home Box Office's agreements with its domestic affiliates are typically long-term arrangements that provide for annual service fee increases and marketing support. While fees to Home Box Office under affiliate agreements are generally based on the number of subscribers served by the affiliates, the relationship between subscriber totals and the amount of revenues earned depends on the specific terms of the applicable agreement, which may include basic and/or pay television subscriber thresholds, volume discounts and other performance-based discounts. Marketing and promotional

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activities intended to retain existing subscribers and acquire new subscribers may also impact revenue earned. Home Box Office also derives subscription revenues from the distribution by international affiliates of country-specific HBO and Cinemax premium pay and basic tier television services to their local subscribers. HBO GO is available to HBO premium pay television subscribers in a number of countries outside the U.S. Additional sources of revenues for Home Box Office are (i) the home entertainment sales of its original programming, including *Game of Thrones*, *True Blood*, *True Detective* and *Boardwalk Empire*, on DVDs and Blu-ray Discs and via electronic sell-through (EST) and (ii) the licensing of its original programming to international and domestic television networks and SVOD services.

Warner Bros. Time Warner's Warner Bros. segment consists of businesses managed by Warner Bros. Entertainment Inc. (Warner Bros.) that principally produce and distribute television shows, feature films and videogames. During the year ended December 31, 2014, the Warner Bros. segment recorded Revenues of \$12.526 billion (43% of the Company's total Revenues) and Operating Income of \$1.159 billion.

Warner Bros. is a leader in the television content industry. For the 2014/2015 season, Warner Bros. has produced over 60 series in the U.S., including (i) at least two series for each of the five broadcast networks (including *2 Broke Girls*, *Arrow*, *The Bachelor*, *The Big Bang Theory*, *The Flash*, *The Following*, *Forever*, *Gotham*, *The Middle*, *Mike & Molly*, *Mom*, *Person of Interest*, *Stalker*, *Vampire Diaries* and *The Voice*), (ii) original series for cable television networks (including *Major Crimes*, *Pretty Little Liars* and *Rizzoli & Isles*), (iii) series for premium pay television services (*The Leftovers* and *Shameless*), (iv) series for first-run syndication (including *The Ellen DeGeneres Show*, *Extra* and *TMZ*) and (v) animated series for cable television networks. Warner Bros. also licenses many of its series internationally. In 16 countries (located across Europe and South America and in Australia and New Zealand), Warner Bros. operates a group of local television production companies that focus on developing non-scripted programs and formats that can be sold internationally and adapted for sale in the U.S. In addition, Warner Bros. produces local versions of programs it created in the U.S. as well as original local television programming for international territories.

Warner Bros. is also a leader in the feature film industry and produces feature films under its Warner Bros. and New Line Cinema banners. The Warner Bros. segment's theatrical product revenues are generated principally through rental fees from theatrical exhibition of feature films, including the following recently released films: *Annabelle*, *American Sniper*, *Edge of Tomorrow*, *Godzilla*, *The Hobbit: The Battle of the Five Armies*, *Interstellar*, *The LEGO Movie* and *Tammy*, and subsequently through licensing fees received from the distribution of films on premium pay television, television broadcast and cable networks and SVOD services. Television product revenues are generated principally from the licensing of programs to broadcast and cable television networks and premium pay television and SVOD services.

The segment also generates television and theatrical product revenues from the distribution of television and theatrical product in various digital formats (e.g., EST and video-on-demand) and on DVDs and Blu-ray Discs for home entertainment. In addition, the segment generates revenues through the development and distribution of videogames. Warner Bros. television and film businesses benefit from a shared infrastructure, including shared production,

distribution, marketing and administrative functions and resources.

The distribution and sale of physical discs is one of the largest contributors to the segment's revenues and profits. In recent years, sales of physical discs have declined as the home entertainment industry has been undergoing significant changes as it transitions from the physical distribution of film and television content via DVDs and Blu-ray Discs to the electronic delivery of such content. Several factors have contributed to this decline, including consumers shifting to subscription rental services and discount rental kiosks, which generate significantly less revenue per transaction for the Company than physical disc sales; changing retailer initiatives and strategies (e.g., reduction of floor space devoted to physical discs); retail store closures; increasing competition for consumer discretionary time and spending; and piracy. The electronic delivery of film and television content is growing and becoming more important to the Warner Bros. segment, which has helped to offset some of the decline in sales of physical discs. During 2014, across the home entertainment industry, consumer spending on physical discs continued to decline and consumer spending on electronic delivery continued to increase.

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Recent Developments

Venezuela Currency

Certain of the Company's divisions conduct business with third parties located in Venezuela and, as a result, the Company holds net monetary assets denominated in Venezuelan Bolivares Fuertes (VEF) that primarily consist of cash and accounts receivable. As of December 31, 2014, there were three legal foreign currency exchange systems administered by the Venezuelan government, each with a different exchange rate: (i) the fixed official government rate as published by the Central Bank of Venezuela, which as of December 31, 2014 was 6.3 VEF to each U.S. Dollar, (ii) the variable, auction-based SICAD 1 rate, which as of December 31, 2014 was 12 VEF to each U.S. Dollar and (iii) the variable, transaction-based SICAD 2 rate, which as of December 31, 2014 was approximately 50 VEF to each U.S. Dollar. Because of Venezuelan government-imposed restrictions on the exchange of VEF into foreign currency in Venezuela, the Company has not been able to convert VEF earned in Venezuela into U.S. Dollars through the official government rate. Further, the Company has not been able to access the SICAD 1 and SICAD 2 exchanges due to government requirements and restrictions on participation in the exchanges, including a requirement that an entity be domiciled in Venezuela to participate.

Prior to December 31, 2014, the Company used the official government exchange rate to remeasure its VEF-denominated transactions and balances. This was principally due to the Company's inability to access the SICAD 1 and SICAD 2 exchange systems, as noted above, as well as a lack of clarity about those exchange systems' stability and transaction volume. During the fourth quarter of 2014, the Company considered information about the companies that were able to access the three exchange systems during 2014 and the fact that the SICAD 1 and SICAD 2 exchanges continued to operate, as well as the state of the Venezuelan economy, which has been negatively impacted by significantly lower oil prices and which the Venezuela Central Bank confirmed in late December 2014 had entered a recession. Based on these factors, as of December 31, 2014, the Company concluded that the SICAD 2 exchange rate was the most appropriate legal exchange rate for the Company's business activities conducted in VEF. Accordingly, beginning on December 31, 2014, the Company began using the SICAD 2 rate to remeasure its VEF-denominated transactions and balances and, for the three months and year ended December 31, 2014, recognized a pretax foreign exchange loss of \$173 million in the Consolidated Statement of Operations.

On February 10, 2015, Venezuelan government officials announced changes to Venezuela's current foreign currency exchange system. Those changes include a merger of the SICAD I and SICAD 2 exchanges into a single SICAD exchange whose rate was initially set at 12 VEF to each U.S. Dollar as well as the creation of a new free market foreign currency exchange that is referred to as the Simadi exchange. On the initial date of activity, the Simadi exchange rate published by the Central Bank of Venezuela was 170 VEF to each U.S. Dollar. Given the restrictions associated with the official government rate and the SICAD exchange, the Company currently expects to use the Simadi exchange rates to remeasure its VEF-denominated transactions and balances. However, the Company will continue to evaluate developments in Venezuela and finalize its assessment of the most appropriate legal exchange

rate for the Company's business activities during the first quarter of 2015. At December 31, 2014, the Company had \$25 million of net VEF-denominated consolidated monetary assets.

Revolving Credit Facilities Maturity Date Extension

On December 18, 2014, Time Warner amended its \$5.0 billion of senior unsecured credit facilities (the Revolving Credit Facilities), which consist of two \$2.5 billion revolving credit facilities, to extend the maturity dates of both facilities from December 18, 2018 to December 18, 2019. See Financial Condition and Liquidity Outstanding Debt and Other Financing Arrangements for more information.

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Restructuring Activities

During 2014, the Company incurred \$512 million of Restructuring and severance costs primarily related to headcount reductions associated with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. The Restructuring and severance costs by operating segment and at Corporate are as follows: \$249 million at Turner, \$63 million at Home Box Office, \$169 million at Warner Bros. and \$31 million at Corporate. Headcount reductions associated with these restructuring activities were approximately 4,000.

In addition to the restructuring activities noted above, during 2014, Turner conducted a strategic evaluation of its programming, and, as a result of such evaluation decided to no longer air certain programming, which consisted principally of licensed programming. In connection with that decision, the Company incurred \$388 million of programming impairments related to programming that will no longer be aired, reflecting \$526 million of charges at the Turner segment, partially offset by \$138 million of intercompany eliminations primarily related to intercompany profits on programming licensed by the Warner Bros. segment to the Turner segment. Such charges have been classified as Costs of revenues in the Consolidated Statement of Operations.

Tax Matter

During the third quarter of 2014, the Company recognized a tax benefit of \$687 million primarily related to the reversal of certain tax reserves, including related interest accruals, in connection with a Federal tax settlement on the examination of the Company's 2005-2007 tax returns. Certain matters addressed in the examination were not resolved and, accordingly, the Company is pursuing resolution of such matters through the Internal Revenue Service's administrative appeals process.

NBA Agreement

On October 3, 2014, Turner entered into a nine-year agreement with the National Basketball Association (NBA), which extends Turner's relationship with the NBA through the 2024/2025 season and increases TNT's regular season coverage from 52 live games annually to 64 live games annually beginning with the 2016/2017 season. The agreement also provides Turner with enhanced digital rights during the extension period. The aggregate cash commitment for the programming rights under the new agreement is approximately \$10.5 billion.

2014 Debt Offering

On May 20, 2014, Time Warner issued \$2.0 billion aggregate principal amount of debt securities in a public offering. See Financial Condition and Liquidity Outstanding Debt and Other Financing Arrangements for more information.

Central European Media Enterprises Ltd.

On May 2, 2014, pursuant to a rights offering by Central European Media Enterprises Ltd. (CME), Time Warner acquired approximately 2.8 million units, each consisting of \$100 principal amount of 15% senior secured notes due 2017 and 21 unit warrants, with each unit warrant entitling the Company to purchase one share of CME Class A common stock. In addition, Time Warner acquired 581,533 units in a private offering, and CME issued warrants to Time Warner to purchase an additional 30 million shares of Class A common stock. The warrants issued to Time Warner, including the unit warrants in connection with the rights offering and the private offering, have a four-year term and an exercise price of \$1.00 per share, do not contain any voting rights and are not exercisable until the second anniversary of their issuance. The warrants are subject to a limited right whereby the Company can exercise any of its warrants earlier solely to own up to 49.9% of CME s Class A common stock.

Additionally, Time Warner provided CME a \$115 million revolving credit facility and a \$30 million term loan that mature on December 1, 2017. Following an amendment in connection with the November 2014 transactions described below,

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amounts outstanding under the revolving credit facility bear interest at a rate per annum based on LIBOR (subject to a minimum rate of 1.00%) plus 9%. CME can pay accrued interest for an applicable quarterly interest period either fully in cash or by adding such amount to the outstanding principal amount of the revolving credit facility. The revolving credit facility also contains a commitment fee on the average daily unused amount under the facility of 0.50% per annum. As of December 31, 2014, \$25 million was outstanding under the revolving credit facility. The \$30 million term loan bears interest at a rate of 15.0% per annum, paid semi-annually either fully in cash or by adding such amount to the principal amount of the loan.

These transactions did not change the Company's approximate 49% voting interest, but resulted in the Company holding an approximate 75% economic interest in CME on a diluted basis.

On November 14, 2014, Time Warner and CME entered into an agreement pursuant to which Time Warner agreed to assist CME in refinancing \$261 million aggregate principal amount of its Senior Convertible Notes due 2015 (2015 Notes) and 240 million aggregate principal amount of its Senior Notes due 2017 (2017 Notes). In connection with this agreement, CME entered into a 251 million senior unsecured term loan that matures on November 1, 2017 (the 2017 Term Loan) with third-party financial institutions the same day. Time Warner has guaranteed CME's obligations under the 2017 Term Loan for a fee equal to 8.5% less the interest rate on the 2017 Term Loan. The fee is payable to Time Warner in cash or in kind at CME's option. CME used the proceeds of the 2017 Term Loan to redeem the 2017 Notes. CME also entered into unsecured interest rate hedge arrangements to protect against changes in the applicable interest rate on the 2017 Term Loan during its term. Time Warner has also guaranteed CME's obligations under the hedge arrangements.

Upon maturity of the 2015 Notes in November 2015, Time Warner will, at its option, either (i) guarantee a \$261 million unsecured term loan due November 1, 2019 (the 2015 Term Loan) obtained by CME from one or more third-party financial institutions, for a fee equal to 8.5% less the interest rate on the 2015 Term Loan or (ii) provide a \$261 million senior secured term loan that matures on November 1, 2019 directly to CME, with an 8.5% interest rate (the Time Warner Loan). The guarantee fee or interest payments, as applicable, will be paid to Time Warner in cash or in kind at CME's option. Not later than the maturity of the 2015 Term Loan or the Time Warner Loan, as applicable, Time Warner also will earn a commitment fee of \$9 million, which will accrue interest at 8.5% from the date of the 2015 Term Loan or Time Warner Loan, as applicable, until paid.

Eyeworks

On June 2, 2014, Warner Bros. acquired the operations outside the U.S. of Eyeworks Group, a television production and distribution company, which are located in 15 countries (across Europe and South America and in Australia and New Zealand) for approximately \$267 million, net of cash acquired (the Eyeworks Acquisition).

Sale and Leaseback of Time Warner Center

On January 16, 2014, Time Warner sold the space it owned in Time Warner Center for approximately \$1.3 billion and agreed to lease space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of \$441 million and a tax benefit of \$58 million during 2014. Additionally, a pretax gain of approximately \$325 million has been deferred and is being recognized ratably over the lease period. In February 2015, the Company entered into agreements relating to the construction and development of office and studio space in the Hudson Yards development on the west side of Manhattan in order to consolidate its Corporate headquarters and its New York City-based employees. Based on current construction cost and space projections, the Company expects to invest approximately \$1.7 billion in the Hudson Yards development project over the next five years.

RESULTS OF OPERATIONS

Changes in Basis of Presentation

As discussed more fully in Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements, the 2013 and 2012 financial information has been recast so that the basis of presentation is consistent with that of the 2014 financial information. This recast reflects the financial position and results of operations of the Company's former Time Inc. segment as discontinued operations for all periods presented.

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Recent Accounting Guidance

See Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements for a discussion of recent accounting guidance.

Transactions and Other Items Affecting Comparability

As more fully described herein and in the related notes to the accompanying consolidated financial statements, the comparability of Time Warner's results from continuing operations has been affected by transactions and certain other items in each period as follows (millions):

	Year Ended December 31,		
	2014	2013 (recast)	2012 (recast)
Asset impairments	\$ (69)	\$ (61)	\$ (180)
Gain on operating assets, net	464	129	45
Venezuelan foreign currency loss	(173)	-	-
Other	(80)	5	(30)
Impact on Operating Income	142	73	(165)
Investment gains (losses), net	30	61	(30)
Amounts related to the separation of Time Warner Cable Inc.	(11)	3	4
Amounts related to the disposition of Warner Music Group	2	(1)	(7)
Amounts related to the separation of Time Inc.	3	-	-
Items affecting comparability relating to equity method investments	(97)	(30)	(94)
Pretax impact	69	106	(292)
Income tax impact of above items	165	(59)	86
Impact of items affecting comparability on income from continuing operations attributable to Time Warner Inc. shareholders	\$ 234	\$ 47	\$ (206)

In addition to the items affecting comparability described above, the Company incurred Restructuring and severance costs of \$512 million, \$183 million and \$92 million for the years ended December 31, 2014, 2013 and 2012,

respectively. For the year ended December 31, 2014, the Company also incurred \$388 million of programming impairments, reflecting \$526 million of charges at the Turner segment, partially offset by \$138 million of intercompany eliminations. For further discussion of Restructuring and severance costs and the programming impairments, see Overview, Consolidated Results and Business Segment Results.

Asset Impairments

During the year ended December 31, 2014, the Company recognized asset impairments of \$17 million at the Turner segment related to miscellaneous assets, \$4 million at the Home Box Office segment related to an international tradename and \$41 million at the Warner Bros. segment, including \$12 million related to a tradename and the remaining amount primarily related to various fixed assets and certain internally developed software, and \$7 million at Corporate related to certain internally developed software.

During the year ended December 31, 2013, the Company recorded noncash impairments of \$47 million at the Turner segment, of which \$18 million related to certain of Turner's international intangible assets, \$18 million related to a building, \$10 million related to programming assets resulting from Turner's decision to shut down certain of its entertainment networks in Spain and Belgium and \$1 million related to miscellaneous assets, \$7 million at the Warner Bros. segment related to miscellaneous assets and \$7 million at Corporate related to certain internally developed software.

During the year ended December 31, 2012, the Company recognized \$174 million of charges at the Turner segment in connection with the shutdown of Turner's general entertainment network, Imagine, in India and its TNT television operations in Turkey (the Imagine and TNT Turkey Shutdowns) primarily related to certain receivables, including value added tax receivables, inventories and long-lived assets, including Goodwill. For the year ended December 31, 2012, the Company also recognized \$6 million of other miscellaneous noncash asset impairments consisting of \$2 million at the Turner segment and \$4 million at the Warner Bros. segment.

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Gain (Loss) on Operating Assets, Net

For the year ended December 31, 2014, the Company recognized net gains on operating assets of \$464 million, including \$16 million of net gains at the Turner segment, consisting of a \$13 million gain related to the sale of Zite, Inc., a news content aggregation and recommendation platform, a \$4 million gain related to the sale of certain fixed assets, a \$3 million loss related to the shutdown of a business and a \$2 million gain primarily related to the sale of a building in South America, a \$7 million gain at the Warner Bros. segment primarily related to the sale of certain fixed assets and a \$441 million gain at Corporate in connection with the sale and leaseback of the Company's space in Time Warner Center.

For the year ended December 31, 2013, the Company recognized net gains on operating assets of \$129 million, including a \$2 million gain at the Turner segment on the sale of a building, a \$104 million gain at the Home Box Office segment upon Home Box Office's acquisition of its former partner's interests in HBO Asia and HBO South Asia (collectively, HBO Asia), a \$9 million gain at the Home Box Office segment upon Home Box Office's acquisition of its former partner's interest in HBO Nordic, a \$6 million gain at the Warner Bros. segment related to miscellaneous operating assets and an \$8 million gain at Corporate on the disposal of certain corporate assets.

For the year ended December 31, 2012, the Company recognized net gains on operating assets of \$45 million, including a \$34 million gain at the Turner segment on the settlement of an indemnification obligation related to the Company's 2007 sale of the Atlanta Braves baseball franchise, \$1 million of noncash income at the Warner Bros. segment related to a fair value adjustment on certain contingent consideration arrangements and a \$10 million gain at Corporate on the disposal of certain corporate assets.

Venezuelan Foreign Currency Loss

For the year ended December 31, 2014, the Company recognized a pretax foreign exchange loss of \$173 million, consisting of \$137 million at the Turner segment and \$36 million at the Warner Bros. segment, related to the remeasurement of the Company's net monetary assets denominated in Venezuelan currency resulting from a change in the foreign currency exchange rate used by the Company from the official rate to the SICAD 2 exchange rate. See Recent Developments for more information.

Other

Other reflects external costs related to mergers, acquisitions or dispositions of \$80 million, \$33 million and \$27 million for the years ended December 31, 2014, 2013 and 2012 respectively. External costs related to mergers, acquisitions or dispositions for the year ended December 31, 2014 consisted of \$14 million at the Turner segment primarily related to exit costs in connection with the shutdown of CNN Latino, \$19 million at the Warner Bros. segment primarily related to the Eyeworks Acquisition and \$47 million at Corporate primarily related to the Time

Separation. External costs related to mergers, acquisitions or dispositions for the year ended December 31, 2013 were primarily related to the Time Separation. External costs related to mergers, acquisitions or dispositions for the year ended December 31, 2012 included \$18 million related to the Imagine and TNT Turkey Shutdowns.

For the year ended December 31, 2013, other includes a gain of \$38 million related to the curtailment of post-retirement benefits (the Curtailment).

For the year ended December 31, 2012, other includes legal and other professional fees related to the defense of securities litigation matters for former employees of \$3 million.

External costs related to mergers, acquisitions or dispositions, the gain related to the Curtailment and the amounts related to securities litigation and government investigations are included in Selling, general and administrative expenses in the accompanying Consolidated Statement of Operations.

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Investment Gains (Losses), Net

For the year ended December 31, 2014, the Company recognized \$30 million of investment gains, net, consisting of \$29 million of gains related to fair value adjustments to warrants to purchase common stock of CME held by the Company and \$1 million of net miscellaneous investment gains.

For the year ended December 31, 2013, the Company recognized \$61 million of investment gains, net, consisting of a \$65 million gain on the sale of the Company's investment in a theater venture in Japan, which included a \$10 million gain related to a foreign currency contract, \$6 million of net miscellaneous losses and a net noncash gain of \$2 million associated with an option to acquire securities that was terminated during the third quarter of 2013.

For the year ended December 31, 2012, the Company recognized \$30 million of investment losses, net, consisting of \$19 million of net miscellaneous losses, a \$16 million loss on an investment in a network in Turkey recognized as part of the Imagine and TNT Turkey Shutdowns and noncash income of \$5 million associated with a fair value adjustment on certain options to redeem securities.

Amounts Related to the Separation of Time Warner Cable Inc.

For the years ended December 31, 2014, 2013 and 2012, the Company recognized \$1 million of other expense, \$10 million of other income and \$9 million of other income, respectively, related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by Time Warner Cable Inc. (TWC) employees, which has been reflected in Other loss, net in the accompanying Consolidated Statement of Operations. For the years ended December 31, 2014, 2013 and 2012, the Company also recognized \$10 million, \$7 million and \$5 million, respectively, of other loss related to changes in the value of a TWC tax indemnification receivable, which has also been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Amounts Related to the Disposition of Warner Music Group

For the years ended December 31, 2014, 2013 and 2012, the Company recognized \$2 million of other income, \$1 million of losses and \$7 million of losses, respectively, primarily related to a tax indemnification obligation associated with the disposition of Warner Music Group (WMG) in 2004. These amounts have been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Amounts Related to the Time Separation

For the year ended December 31, 2014, the Company recognized \$3 million of other income related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by certain Time Inc. employees.

Items Affecting Comparability Relating to Equity Method Investments

For the year ended December 31, 2014, the Company recognized \$70 million as its share of discontinued operations recorded by an equity method investee and \$27 million as its share of a loss on the extinguishment of debt recorded by an equity method investee. For the years ended December 31, 2013 and 2012, the Company recognized \$18 million and \$94 million, respectively, as its share of noncash impairments recorded by an equity method investee. In addition, for the year ended December 31, 2013, the Company recognized \$12 million as its share of a noncash loss on the extinguishment of debt recorded by the equity method investee. These amounts have been reflected in Other loss, net in the accompanying Consolidated Statement of Operations.

Income Tax Impact

The income tax impact reflects the estimated tax provision or tax benefit associated with each item affecting comparability. The estimated tax provision or tax benefit can vary based on certain factors, including the taxability or deductibility of the items and foreign tax on certain items. The gain on the sale and leaseback of the Company's space in Time Warner Center was offset by the utilization of tax attributes.

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Consolidated Results

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.

Revenues. The components of Revenues are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013 (recast)	2012 (recast)	2014 vs. 2013	2013 vs. 2012
Turner	\$ 10,396	\$ 9,983	\$ 9,527	4%	5%
Home Box Office	5,398	4,890	4,686	10%	4%
Warner Bros.	12,526	12,312	12,018	2%	2%
Intersegment eliminations	(961)	(724)	(906)	33%	(20%)
Total revenues	\$ 27,359	\$ 26,461	\$ 25,325	3%	4%

For the year ended December 31, 2014, Revenues at the Turner segment increased primarily driven by higher Subscription and Advertising revenues. Revenues at the Home Box Office segment increased for the year ended December 31, 2014 due to higher Subscription and Content and other revenues. For the year ended December 31, 2014, Revenues at the Warner Bros. segment increased driven by higher Television product and Videogames and other revenues, partly offset by lower Theatrical product revenues.

For the year ended December 31, 2013, Revenues at the Turner segment increased primarily driven by higher Subscription and Advertising revenues. Revenues at the Home Box Office segment increased for the year ended December 31, 2013 due to higher Subscription revenues, partially offset by lower Content and other revenues. For the year ended December 31, 2013, Revenues at the Warner Bros. segment increased driven by higher Videogames and other and Theatrical product revenues, partially offset by lower Television product revenues.

Each of the segment's revenue categories are discussed in greater detail in Business Segment Results.

Costs of Revenues. Costs of revenues were \$15.875 billion, \$14.935 billion and \$14.575 billion for the years ended December 31, 2014, 2013 and 2012, respectively. The increase for the year ended December 31, 2014 reflected

increases across all of the segments. The increase for the year ended December 31, 2013 reflected increases at the Turner and Warner Bros. segments, partially offset by a decline at the Home Box Office segment.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$5.190 billion, \$4.934 billion and \$4.813 billion for the years ended December 31, 2014, 2013 and 2012, respectively. The increase for the year ended December 31, 2014 primarily related to increases at the Turner segment and Corporate. In addition, for the year ended December 31, 2014, Selling, general and administrative expenses included a \$173 million foreign currency charge related to the remeasurement of the Company's net monetary assets denominated in Venezuelan currency resulting from a change in the foreign currency exchange rate used by the Company from the official rate to the SICAD 2 exchange rate. See *Recent Developments* for more information. The increase for the year ended December 31, 2013 primarily related to increases at the Home Box Office segment and Corporate.

Included in Costs of revenues and Selling, general and administrative expenses was depreciation expense of \$531 million, \$550 million and \$553 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Amortization Expense. Amortization expense was \$202 million, \$209 million and \$212 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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Restructuring and Severance Costs. For the years ended December 31, 2014, 2013 and 2012, the Company incurred Restructuring and severance costs primarily related to employee terminations and other exit activities. Restructuring and severance costs are as follows (millions):

	Year Ended December 31,		
	2014	2013 (recast)	2012 (recast)
Turner	\$ 249	\$ 93	\$ 52
Home Box Office	63	39	15
Warner Bros.	169	49	23
Corporate	31	2	2
Total restructuring and severance costs	\$ 512	\$ 183	\$ 92

The total number of employees terminated across the segments for the years ended December 31, 2014, 2013 and 2012 was approximately 4,000, 1,000 and 1,000, respectively.

Operating Income. Operating Income was \$5.975 billion, \$6.268 billion and \$5.498 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling \$142 million of income, \$73 million of income and \$165 million of expense for the years ended December 31, 2014, 2013 and 2012, respectively, Operating Income decreased \$362 million and increased \$532 million in 2014 and 2013, respectively. The decrease in 2014 reflected decreases at the Turner and Warner Bros. segments and Corporate, partially offset by an increase at Home Box Office. The increase in 2013 reflected increases at the Turner, Home Box Office and Warner Bros. segments, partially offset by a decrease at Corporate. The segment variations are discussed under Business Segment Results.

Interest Expense, Net. Interest expense, net was \$1.169 billion, \$1.189 billion and \$1.251 billion for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease for the year ended December 31, 2014 reflected higher interest income of \$92 million mainly related to a note receivable that was collected in March 2014 and the CME transactions in the second quarter of 2014 as well as lower average interest rates, partially offset by higher average debt balances. The decrease for the year ended December 31, 2013 reflected lower average interest rates and lower average debt balances as well as a reduction of \$15 million of accrued interest related to legal contingencies.

Other Loss, Net. Other loss, net detail is shown in the table below (millions):

	Year Ended December 31,		
	2014	2013	2012
		(recast)	(recast)
Investment gains (losses), net	\$ 30	\$ 61	\$ (30)
Amounts related to the separation of TWC	(11)	3	4
Amounts related to the disposition of WMG	2	(1)	(7)
Amounts related to the separation of Time Inc.	3	-	-
Items affecting comparability relating to equity method investments	(97)	(30)	(94)
Loss from equity method investees	(56)	(120)	(86)
Other	2	(24)	(1)
Other loss, net	\$ (127)	\$ (111)	\$ (214)

Investment gains (losses), net, amounts related to the separation of TWC, amounts related to the disposition of WMG, amounts related to the separation of Time Inc. and items affecting comparability relating to equity method investments are discussed under Transactions and Other Items Affecting Comparability.

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The remaining changes in Other loss, net for the year ended December 31, 2014 included lower net losses from equity method investees. The remaining changes in Other loss, net for the year ended December 31, 2013 reflected the absence of the 2012 adjustment to reduce a liability for deferred compensation and higher net losses from equity method investees.

Income Tax Provision. Income tax provision was \$785 million, \$1.614 billion and \$1.370 billion for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's effective tax rate was 17%, 32% and 34% for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease in the effective tax rate in 2014 was primarily due to the recognition of a tax benefit attributable to the reversal of tax reserves in connection with a Federal tax settlement, which decreased the effective tax rate by 15% for the year ended December 31, 2014. The decrease in the effective tax rate in 2013 was primarily due to a decrease in tax reserves and the recognition of additional foreign tax credit carryovers, partially offset by additional U.S. tax on unremitted foreign earnings.

Income from Continuing Operations. Income from continuing operations was \$3.894 billion, \$3.354 billion and \$2.663 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling \$234 million of income, \$47 million of income and \$206 million of expense for the years ended December 31, 2014, 2013 and 2012, respectively, Income from continuing operations increased \$353 million and \$438 million in 2014 and 2013, respectively. The increase in 2014 primarily reflected lower income tax expense, partially offset by lower Operating Income. The increase in 2013 primarily reflected higher Operating Income, partially offset by higher income tax expense. Basic and diluted income per common share from continuing operations attributable to Time Warner Inc. common shareholders were \$4.49 and \$4.41, respectively, for the year ended December 31, 2014, \$3.63 and \$3.56, respectively, for the year ended December 31, 2013 and \$2.77 and \$2.73, respectively, for the year ended December 31, 2012.

Discontinued Operations, Net of Tax. Discontinued operations, net of tax was \$67 million of losses, \$337 million of income and \$259 million of income for the years ended December 31, 2014, 2013 and 2012, respectively. Basic and diluted loss per common share from discontinued operations attributable to Time Warner Inc. common shareholders were both \$0.07 for the year ended December 31, 2014. Basic and diluted income per common share were both \$0.36 for the year ended December 31, 2013 and \$0.28 and \$0.27, respectively, for the year ended December 31, 2012.

Net Loss Attributable to Noncontrolling Interests. For the year ended December 31, 2012, Net loss attributable to noncontrolling interests was \$3 million.

Net Income Attributable to Time Warner Inc. Shareholders. Net income attributable to Time Warner Inc. shareholders was \$3.827 billion, \$3.691 billion and \$2.925 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were \$4.42 and \$4.34, respectively, for the year ended December 31, 2014, \$3.99 and \$3.92,

respectively, for the year ended December 31, 2013 and \$3.05 and \$3.00, respectively, for the year ended December 31, 2012.

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Business Segment Results

Turner. Revenues and Operating Income of the Turner segment for the years ended December 31, 2014, 2013 and 2012 are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Revenues:					
Subscription	\$ 5,263	\$ 4,896	\$ 4,660	7%	5%
Advertising	4,568	4,534	4,315	1%	5%
Content and other	565	553	552	2%	-
Total revenues	10,396	9,983	9,527	4%	5%
Costs of revenues ^(a)	(5,102)	(4,382)	(4,168)	16%	5%
Selling, general and administrative ^(a)	(1,728)	(1,725)	(1,730)	-	-
Gain on operating assets	16	2	34	NM	(94%)
Asset impairments	(17)	(47)	(176)	(64%)	(73%)
Venezuelan foreign currency loss	(137)	-	-	NM	NM
Restructuring and severance costs	(249)	(93)	(52)	168%	79%
Depreciation	(209)	(231)	(238)	(10%)	(3%)
Amortization	(16)	(21)	(25)	(24%)	(16%)
Operating Income	\$ 2,954	\$ 3,486	\$ 3,172	(15%)	10%

^(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

The components of Costs of revenues for the Turner segment are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Programming costs:					
Originals and sports	\$ 3,069	\$ 2,647	\$ 2,498	16%	6%
Acquired films and syndicated series	1,213	946	890	28%	6%
Total programming costs	4,282	3,593	3,388	19%	6%
Other direct operating costs	820	789	780	4%	1%
Costs of revenues ^(a)	\$ 5,102	\$ 4,382	\$ 4,168	16%	5%

(a) Costs of revenues exclude depreciation.

2014 vs. 2013

The increase in Subscription revenues for the year ended December 31, 2014 reflected higher domestic revenues of \$298 million primarily due to higher rates, partially offset by lower subscribers and higher international revenues of \$69 million mainly driven by growth in Latin America and the unfavorable impact of foreign exchange rates of approximately \$50 million.

The increase in Advertising revenues for the year ended December 31, 2014 reflected domestic growth of \$34 million, mainly driven by Turner's domestic news business, partially offset by lower audience delivery and demand at its domestic entertainment networks. International advertising revenues were flat as growth was offset by the unfavorable impact of foreign exchange rates of approximately \$25 million.

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For the year ended December 31, 2014, Costs of revenues increased primarily due to programming charges of \$526 million related to Turner's decision following its strategic evaluation of its programming to no longer air certain programming. Excluding these charges, programming costs increased primarily due to higher originals and sports programming costs reflecting higher costs related to both the National Collegiate Athletic Association Division I Men's Basketball Championship tournament (the NCAA Tournament) and the first year of a new agreement with Major League Baseball.

Refer to *Transactions and Other Items Affecting Comparability* for a discussion of Asset impairments, Gain (loss) on operating assets, Venezuelan foreign currency loss and external costs related to mergers, acquisitions and dispositions for the year ended December 31, 2014 and 2013, which affected the comparability of the Turner segment's results.

The results for the year ended December 31, 2014 included \$249 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. The results for the year ended December 31, 2013 included \$93 million of Restructuring and severance costs primarily related to employee severance actions.

The decrease in Operating Income for the year ended December 31, 2014 was primarily due to higher Costs of revenues, higher Restructuring and severance costs and the Venezuela foreign currency loss, partially offset by higher Revenues.

2013 vs. 2012

The increase in Subscription revenues for the year ended December 31, 2013 was primarily due to an increase in domestic subscription revenues of \$197 million driven primarily by higher domestic rates as well as an increase in international subscription revenues of \$39 million reflecting subscriber growth and the unfavorable impact of foreign exchange rates of approximately \$50 million.

The increase in Advertising revenues for the year ended December 31, 2013 reflected domestic growth of \$219 million driven by an increase at Turner's domestic entertainment networks due to higher pricing and demand, which included higher demand for sports programming, primarily the NBA and the NCAA Tournament, partially offset by a decline at Turner's domestic news networks primarily due to an unfavorable comparison to the 2012 U.S. presidential election.

Content and other revenues were flat primarily due to the absence of revenues from Turner's TNT television operations in Turkey, which were shut down in the second quarter of 2012, offset by higher revenues from availabilities to SVOD services.

The increase in Costs of revenues for the year ended December 31, 2013 was primarily due to higher originals and sports programming costs, mainly due to higher costs for original series, as well as higher costs for acquired films and syndicated series. Programming costs for the year ended December 31, 2013 included \$73 million of impairments related to certain programs, primarily syndicated series, that management has concluded will no longer be aired.

For the year ended December 31, 2013, Selling, general and administrative expenses were essentially flat mainly due to the absence of \$18 million of exit and other costs related to the Imagine and TNT Turkey Shutdowns, partially offset by higher marketing expenses.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets and external costs related to mergers, acquisitions and dispositions for the years ended December 31, 2013 and 2012, which affected the comparability of the Turner segment's results.

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For the year ended December 31, 2013, Restructuring and severance costs increased due largely to higher severance costs.

The increase in Operating Income for the year ended December 31, 2013 was primarily due to higher Revenues and lower asset impairments, partially offset by higher Costs of revenues, higher Restructuring and severance costs and lower Gains on operating assets.

Home Box Office. Revenues and Operating Income of the Home Box Office segment for the years ended December 31, 2014, 2013 and 2012 are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Revenues:					
Subscription	\$ 4,578	\$ 4,231	\$ 4,010	8%	6%
Content and other	820	659	676	24%	(3%)
Total revenues	5,398	4,890	4,686	10%	4%
Costs of revenues ^(a)	(2,708)	(2,368)	(2,400)	14%	(1%)
Selling, general and administrative ^(a)	(746)	(705)	(632)	6%	12%
Gain on operating assets	-	113	-	(100%)	NM
Asset impairments	(4)	-	-	NM	NM
Restructuring and severance costs	(63)	(39)	(15)	62%	160%
Depreciation	(77)	(91)	(85)	(15%)	7%
Amortization	(14)	(9)	(7)	56%	29%
Operating Income	\$ 1,786	\$ 1,791	\$ 1,547	-	16%

^(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

The components of Costs of revenues for the Home Box Office segment are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Programming costs:					
Acquired films and syndicated series	\$ 1,007	\$ 894	\$ 885	13%	1%
Originals and sports	960	856	856	12%	-
Total programming costs	1,967	1,750	1,741	12%	1%
Other direct operating costs	741	618	659	20%	(6%)
Costs of revenues ^(a)	\$ 2,708	\$ 2,368	\$ 2,400	14%	(1%)

^(a) Costs of revenues exclude depreciation.

2014 vs. 2013

The increase in Subscription revenues for the year ended December 31, 2014 was primarily due to higher domestic subscription revenues of \$198 million driven mainly by higher contractual rates and higher revenues of \$146 million at HBO Asia and HBO Nordic primarily due to their consolidations in September 2013 and June 2013, respectively.

The increase in Content and other revenues for the year ended December 31, 2014 was primarily due to higher worldwide licensing revenues from original programming of \$116 million, primarily relating to the licensing of select original programming to an SVOD service, and higher home entertainment revenues of \$71 million.

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The increase in Costs of revenues for the year ended December 31, 2014 reflected higher programming and other direct operating costs. The increase in programming costs for the year ended December 31, 2014 was primarily due to higher acquired films and syndicated series programming costs, which included the consolidations of both HBO Asia and HBO Nordic, as well as higher originals and sports programming costs, reflecting higher costs for original series. The increase in other direct operating costs for the year ended December 31, 2014 was mainly due to higher participation expenses and the absence of a \$31 million reduction to a receivable allowance recorded in 2013.

For the year ended December 31, 2014, Selling, general and administrative expenses increased due to higher expenses of \$36 million at HBO Asia and HBO Nordic primarily due to their consolidations in 2013.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments and Gain (loss) on operating assets for the years ended December 31, 2014 and 2013, which affected the comparability of the Home Box Office segment's results.

The results for the year ended December 31, 2014 included \$63 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. The results for the year ended December 31, 2013 included \$39 million of Restructuring and severance costs primarily related to executive severance costs.

The decrease in Operating Income for the year ended December 31, 2014 was primarily due to higher Costs of revenues, the impact of the \$113 million gain on operating assets on the 2013 results and higher Selling, general and administrative expenses, partially offset by higher Revenues.

2013 vs. 2012

The increase in Subscription revenues for the year ended December 31, 2013 was primarily due to an increase in domestic subscription revenues of \$165 million driven primarily by higher rates. In addition, the 2013 consolidations of HBO Asia and HBO Nordic contributed \$48 million of Subscription revenues for the year ended December 31, 2013.

The decrease in Content and other revenues for the year ended December 31, 2013 was primarily due to lower home entertainment revenues mainly as a result of lower library sales.

The decrease in Costs of revenues for the year ended December 31, 2013 was primarily due to lower other direct operating costs mainly as a result of a reduction of a receivable allowance. Originals and sports programming costs for the year ended December 31, 2013 were flat as lower programming impairments were offset by higher costs for originals and sports programming. In addition, acquired films and syndicated series programming costs were

essentially flat as costs associated with the consolidations of HBO Asia and HBO Nordic were largely offset by lower costs for acquired films.

For the year ended December 31, 2013, Selling, general and administrative expenses increased mainly due to higher domestic marketing expenses of \$29 million, higher domestic employee-related costs of \$17 million and \$15 million of costs associated with the consolidations of HBO Asia and HBO Nordic.

Refer to Transactions and Other Items Affecting Comparability for a discussion of Gain (loss) on operating assets for the years ended December 31, 2013 and 2012, which affected the comparability of the Home Box Office segment's results.

For the year ended December 31, 2013, Restructuring and severance costs increased due largely to higher executive severance costs.

The increase in Operating Income for the year ended December 31, 2013 was primarily due to higher Revenues and Gains on operating assets, partially offset by higher Selling, general and administrative expenses.

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Warner Bros. Revenues and Operating Income of the Warner Bros. segment for the years ended December 31, 2014, 2013 and 2012 are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Revenues:					
Theatrical product	\$ 5,839	\$ 6,119	\$ 6,042	(5%)	1%
Television product	5,099	4,690	4,832	9%	(3%)
Videogames and other	1,588	1,503	1,144	6%	31%
Total revenues	12,526	12,312	12,018	2%	2%
Costs of revenues ^(a)	(8,906)	(8,674)	(8,503)	3%	2%
Selling, general and administrative ^(a)	(1,832)	(1,885)	(1,879)	(3%)	-
Gain on operating assets	7	6	1	17%	NM
Asset impairments	(41)	(7)	(4)	NM	75%
Venezuelan foreign currency loss	(36)	-	-	NM	NM
Restructuring and severance costs	(169)	(49)	(23)	245%	113%
Depreciation	(218)	(200)	(202)	9%	(1%)
Amortization	(172)	(179)	(180)	(4%)	(1%)
Operating Income	\$ 1,159	\$ 1,324	\$ 1,228	(12%)	8%

^(a) Costs of revenues and Selling, general and administrative expenses exclude depreciation.

The components of theatrical product revenues (which is content made available for initial exhibition in theaters) and television product revenues (which is content made available for initial airing on television) for the years ended December 31, 2014, 2013 and 2012 are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Theatrical product:					
Film rentals	\$ 1,969	\$ 2,158	\$ 1,894	(9%)	14%
Home video and electronic delivery	1,913	2,118	2,175	(10%)	(3%)
Television licensing	1,686	1,652	1,746	2%	(5%)
Consumer products and other	271	191	227	42%	(16%)
Total theatrical product	\$ 5,839	\$ 6,119	\$ 6,042	(5%)	1%
Television product:					
Television licensing	4,121	3,628	3,652	14%	(1%)
Home video and electronic delivery	584	719	787	(19%)	(9%)
Consumer products and other	394	343	393	15%	(13%)
Total television product	\$ 5,099	\$ 4,690	\$ 4,832	9%	(3%)

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The components of Costs of revenues for the Warner Bros. segment are as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Film and television production costs	\$ 5,924	\$ 5,620	\$ 5,598	5%	-
Print and advertising costs	1,907	1,935	1,854	(1%)	4%
Other costs, including merchandise and related costs	1,075	1,119	1,051	(4%)	6%
Costs of revenues ^(a)	\$ 8,906	\$ 8,674	\$ 8,503	3%	2%

^(a) Costs of revenues exclude depreciation.

2014 vs. 2013

The increase in Revenues for the year ended December 31, 2014 included the net unfavorable impact of foreign exchange rates of approximately \$100 million.

Theatrical product revenues from film rentals decreased for the year ended December 31, 2014, reflecting lower revenues of \$215 million from theatrical films released during 2014 compared to 2013, partially offset by higher carryover revenues of \$26 million from prior period releases. The Company released 22 and 18 theatrical films in 2014 and 2013, respectively.

For the year ended December 31, 2014, theatrical product revenues from home video and electronic delivery decreased due to lower revenues of \$127 million from releases during 2014 compared to 2013 and lower revenues of \$78 million from prior period releases, including catalog titles. There were 18 and 17 home video and electronic

delivery releases in 2014 and 2013, respectively.

The increase in theatrical product revenues from consumer products and other reflected higher intellectual property licensing, including theme park licensing of the *Harry Potter* brands and characters.

Television product revenues from television licensing for the year ended December 31, 2014 increased primarily due to growth in television production reflecting additional series produced, including series produced by Eyeworks, as well as higher license fees from SVOD services, primarily internationally.

The decrease in television product revenues from home video and electronic delivery for the year ended December 31, 2014 was primarily due to continued declines in sales of DVDs and Blu-ray discs.

Television product revenues from consumer products and other increased for the year ended December 31, 2014 primarily due to an increase in Warner Bros. share of revenues from television series produced by third parties as well as an increase in the production of television series by Warner Bros. on behalf of third parties.

Videogames and other revenues increased for the year ended December 31, 2014 primarily due to \$75 million of revenues from a patent license and settlement agreement.

Included in film and television production costs are production costs related to videogames, as well as theatrical film and videogame valuation adjustments resulting primarily from revisions to estimates of ultimate revenue and/or costs for certain theatrical films and videogames. Theatrical film valuation adjustments for the year ended December 31, 2014 and 2013 were \$86 million and \$51 million, respectively. Videogame valuation adjustments for the year ended December 31, 2014 and 2013 were \$51 million and \$53 million, respectively. The increase in film and television production costs for the year ended December 31, 2014 was primarily due to the performance and mix of product released.

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Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets, Venezuelan foreign currency loss and external costs related to mergers, acquisitions and dispositions for the years ended December 31, 2014 and 2013, which affected the comparability of the Warner Bros. segment's results.

The results for the year ended December 31, 2014 included \$169 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company's growth initiatives. The results for the year ended December 31, 2013 included \$49 million of Restructuring and severance costs primarily related to executive severance costs.

The decrease in Operating Income for the year ended December 31, 2014 was primarily due to higher Costs of revenues and higher Restructuring and severance costs, partially offset by higher Revenues.

2013 vs. 2012

The increase in Revenues for the year ended December 31, 2013 included the net unfavorable impact of foreign exchange rates of approximately \$110 million.

Theatrical product revenues from film rentals increased for the year ended December 31, 2013, reflecting higher revenues of \$315 million from theatrical films released during 2013, partially offset by lower carryover revenues of \$51 million from prior period releases. The Company released 18 and 17 theatrical films during 2013 and 2012, respectively.

For the year ended December 31, 2013, theatrical product revenues from home video and electronic delivery decreased due to lower revenues of \$120 million from prior period releases, which include catalog titles, partially offset by higher revenues of \$63 million from releases in 2013. There were 17 and 21 home video and electronic delivery releases in 2013 and 2012, respectively.

Theatrical product revenues from television licensing decreased for the year ended December 31, 2013 primarily due to fewer availabilities in 2013 as compared to 2012.

Television product revenues from television licensing for the year ended December 31, 2013 decreased due to the timing of worldwide television availabilities, partially offset by higher revenues from availabilities of television product to SVOD services.

The decrease in television product revenues from home video and electronic delivery for the year ended December 31, 2013 was primarily due to lower revenues from consumer packaged goods.

Videogames and other revenues increased for the year ended December 31, 2013 primarily due to higher revenues of \$297 million from videogames released in 2013, partially offset by lower carryover revenues of \$76 million from videogames released in prior periods. The Company released 10 videogames in both 2013 and 2012. In addition, the increase in Videogames and other revenues for the year ended December 31, 2013 reflected higher publishing and consumer products revenues.

Included in film and television production costs are production costs related to videogames, as well as theatrical film valuation adjustments resulting from revisions to estimates of ultimate revenue for certain theatrical films. Theatrical film valuation adjustments for the years ended December 31, 2013 and 2012 were \$51 million and \$92 million, respectively. Film and television production costs were essentially flat as higher costs for videogames, including impairments for certain videogame production costs, which were \$53 million in 2013 and \$7 million in 2012, were offset by lower theatrical film valuation adjustments and lower amortization costs for theatrical films. The increase in print and advertising costs was primarily due to the mix and quantity of theatrical films and videogames released. Other costs, including merchandise and related costs, increased primarily due to higher distribution costs associated with videogames and home video sales.

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Refer to Transactions and Other Items Affecting Comparability for a discussion of Asset impairments, Gain (loss) on operating assets and external costs related to mergers, acquisitions and dispositions for the years ended December 31, 2013 and 2012, which affected the comparability of the Warner Bros. segment's results.

The increase in Restructuring and severance costs for the year ended December 31, 2013 was primarily related to executive severance costs.

The increase in Operating Income for the year ended December 31, 2013 was primarily due to higher Revenues, partially offset by higher Costs of revenues and higher Restructuring and severance costs.

Corporate. Operating Loss at Corporate for the years ended December 31, 2014, 2013 and 2012 was as follows (millions):

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Selling, general and administrative ^(a)	\$ (449)	\$ (403)	\$ (332)	11%	21%
Curtailment	-	38	-	(100%)	-
Gain on operating assets	441	8	10	NM	(20%)
Asset impairments	(7)	(7)	-	-	-
Restructuring and severance costs	(31)	(2)	(2)	NM	-
Depreciation	(27)	(28)	(28)	(4%)	-
Operating Loss	\$ (73)	\$ (394)	\$ (352)	(81%)	12%

^(a) Selling, general and administrative expenses exclude depreciation.
2014 vs. 2013

Refer to *Transactions and Other Items Affecting Comparability* for a discussion of Asset impairments, Gain on operating assets, the Curtailment and external costs related to mergers, acquisitions and dispositions for the years ended December 31, 2014 and 2013, which affected the comparability of Corporate s results.

The results for the year ended December 31, 2014 included \$31 million of Restructuring and severance costs primarily related to headcount reductions in connection with restructuring activities designed to position the Company for the current operating environment and reallocate resources to the Company s growth initiatives.

Excluding the transactions noted above, Operating Loss for the year ended December 31, 2014 increased primarily due to the absence of a benefit associated with a reduction in certain accrued employee benefit plan liabilities in 2013.

Selling, general and administrative expenses included costs related to enterprise efficiency initiatives of \$43 million and \$49 million for the years ended December 31, 2014 and 2013, respectively. The enterprise efficiency initiatives involve the centralization of certain administrative functions to generate cost savings or other benefits for the Company.

2013 vs. 2012

Refer to *Transactions and Other Items Affecting Comparability* for a discussion of Asset impairments, Gain (loss) on operating assets, the Curtailment and external costs related to mergers, acquisitions and dispositions for the years ended December 31, 2013 and 2012, which affected the comparability of Corporate s results.

For the year ended December 31, 2013, Operating Loss increased due primarily to higher equity-based compensation expense of \$26 million, which mainly reflected higher expenses for performance stock units due to an increase in the Company s stock price and the Company s expected performance relative to the award performance targets, higher external

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costs related to mergers, acquisitions or dispositions of \$25 million related to the separation of Time Inc. from Time Warner, higher compensation expense of \$22 million and Asset impairments of \$7 million, partially offset by the \$38 million gain related to the Curtailment.

Selling, general and administrative expenses included costs related to the enterprise efficiency initiatives described above of \$49 million and \$48 million for the years ended December 31, 2013 and 2012, respectively.

FINANCIAL CONDITION AND LIQUIDITY

Management believes that cash generated by or available to the Company should be sufficient to fund its capital and liquidity needs for the foreseeable future, including scheduled debt repayments, quarterly dividend payments and the purchase of common stock under the Company's stock repurchase program. Time Warner's sources of cash include Cash provided by operations, Cash and equivalents on hand, available borrowing capacity under its committed credit facilities and commercial paper program and access to capital markets. Time Warner's unused committed capacity at December 31, 2014 was \$7.637 billion, which included \$2.618 billion of Cash and equivalents.

Current Financial Condition

At December 31, 2014, Time Warner had net debt of \$19.876 billion (\$22.494 billion of debt less \$2.618 billion of Cash and equivalents) and \$24.476 billion of Shareholders' equity, compared to net debt of \$18.311 billion (\$20.127 billion of debt less \$1.816 billion of Cash and equivalents) and \$29.904 billion of Shareholders' equity at December 31, 2013.

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

Balance at December 31, 2013 (recast)	\$	18,311
Cash provided by operations from continuing operations		(3,681)
Capital expenditures		474
Repurchases of common stock		5,504
Dividends paid to common stockholders		1,109
Investments and acquisitions, net of cash acquired		980
Proceeds from Time Inc. in the Time Separation		(1,400)
Proceeds from the sale of the Time Warner Center		(1,264)
Proceeds from the exercise of stock options		(338)
Other investment and sale proceeds		(173)

All other, net	354
Balance at December 31, 2014	\$ 19,876

In connection with the Time Separation, the Company received \$1.4 billion from Time Inc. consisting of proceeds from Time Inc.'s acquisition of the IPC publishing business in the U.K. from a wholly-owned subsidiary of Time Warner and a special dividend.

On June 13, 2014, Time Warner's Board of Directors authorized up to \$5.0 billion of share repurchases in addition to the \$5.0 billion it had previously authorized for share repurchases beginning January 1, 2014. Purchases under the stock repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases are based on a number of factors, including price and business and market conditions. From January 1, 2014 through February 20, 2015, the Company repurchased 82 million shares of common stock for \$5.918 billion pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

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On January 16, 2014, Time Warner sold the space it owned in Time Warner Center for approximately \$1.3 billion and agreed to lease space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of \$441 million and a tax benefit of \$58 million during 2014. Additionally, a pretax gain of approximately \$325 million has been deferred and is being recognized ratably over the lease period. In February 2015, the Company entered into agreements relating to the construction and development of office and studio space in the Hudson Yards development on the west side of Manhattan in order to consolidate its Corporate headquarters and its New York City-based employees. Based on current construction cost and space projections, the Company expects to invest approximately \$1.7 billion in the Hudson Yards development project over the next five years.

Cash Flows

Cash and equivalents increased by \$802 million, including \$190 million of Cash used by discontinued operations, for the year ended December 31, 2014. Cash and equivalents decreased by \$944 million, including \$468 million of Cash provided by discontinued operations for the year ended December 31, 2013. Components of these changes are discussed below in more detail.

Operating Activities from Continuing Operations

Details of Cash provided by operations from continuing operations are as follows (millions):

	Year Ended December 31,		
	2014	2013	2012
		(recast)	(recast)
Operating Income	\$ 5,975	\$ 6,268	\$ 5,498
Depreciation and amortization	733	759	765
Venezuela foreign currency loss	173	-	-
Net interest payments ^(a)	(1,224)	(1,158)	(1,220)
Net income taxes paid ^(b)	(1,494)	(1,087)	(1,189)
All other, net, including working capital changes	(482)	(1,524)	(867)
Cash provided by operations from continuing operations	\$ 3,681	\$ 3,258	\$ 2,987

(a) Includes interest income received of \$50 million, \$44 million and \$42 million in 2014, 2013 and 2012, respectively.

(b) Includes income tax refunds received of \$108 million, \$87 million and \$78 million in 2014, 2013 and 2012, respectively, and income tax sharing payments to TWC of \$6 million in 2012.

Cash provided by operations from continuing operations for the year ended December 31, 2014 increased primarily due to lower cash used by working capital, partially offset by higher net income taxes paid and lower Operating Income. Cash used by working capital decreased primarily due to the timing of restructuring and severance payments and lower participation payments.

Cash provided by operations for the year ended December 31, 2013 increased primarily due to higher Operating Income, lower net income taxes paid and lower net interest payments, partially offset by higher cash used by working capital, which primarily reflected higher participation payments and advances.

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Investing Activities from Continuing Operations

Details of Cash provided (used) by investing activities from continuing operations are as follows (millions):

	Year Ended December 31,		
	2014	2013 (recast)	2012 (recast)
Investments in available-for-sale securities	\$ (30)	\$ (27)	\$ (37)
Investments and acquisitions, net of cash acquired:			
CME	(396)	(288)	(171)
Eyeworks	(267)	-	-
Bleacher Report	-	-	(170)
All other	(287)	(207)	(319)
Capital expenditures	(474)	(568)	(609)
Proceeds from available-for-sale securities	25	33	1
Proceeds from Time Inc. in the Time Separation	1,400	-	-
Proceeds from the sale of Time Warner Center	1,264	-	-
Other investment proceeds	148	170	85
Cash provided (used) by investing activities	\$ 1,383	\$ (887)	\$ (1,220)

The change in Cash provided (used) by investing activities from continuing operations for the year ended December 31, 2014 was primarily due to cash received in connection with the Time Separation and proceeds from the sale of space in Time Warner Center, partially offset by higher investments and acquisition spending. Included in Investments and acquisitions, net for the year ended December 31, 2014 is \$102 million of payments related to the Company's plan to move its Corporate headquarters and its New York City-based employees to the Hudson Yards development on the west side of Manhattan.

Cash used by investing activities for the year ended December 31, 2013 decreased primarily due to lower investments and acquisitions spending and higher other investment and sale proceeds, including the sale of the Company's investment in a theater joint venture in Japan.

Financing Activities from Continuing Operations

Details of Cash used by financing activities from continuing operations are as follows (millions):

	Year Ended December 31,		
	2014	2013 (recast)	2012 (recast)
Borrowings	\$ 2,409	\$ 1,028	\$ 1,039
Debt repayments	(72)	(762)	(686)
Proceeds from the exercise of stock options	338	674	1,107
Excess tax benefit from equity instruments	179	179	83
Principal payments on capital leases	(11)	(9)	(11)
Repurchases of common stock	(5,504)	(3,708)	(3,272)
Dividends paid	(1,109)	(1,074)	(1,011)
Other financing activities	(173)	(111)	(80)
Cash used by financing activities	\$ (3,943)	\$ (3,783)	\$ (2,831)

Cash used by financing activities from continuing operations for the year ended December 31, 2014 increased primarily due to higher Repurchases of common stock and lower Proceeds from the exercise of stock options, partially offset by an increase in Borrowings and lower Debt repayments. During the year ended December 31, 2014, the Company issued

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approximately 10 million shares of common stock and received \$338 million in connection with the exercise of stock options. At December 31, 2014, all of the approximately 22 million exercisable stock options outstanding on such date had exercise prices below the closing price of the Company's common stock on the New York Stock Exchange.

Cash used by financing activities for the year ended December 31, 2013 increased primarily due to higher Repurchases of common stock and lower Proceeds from the exercise of stock options. During the year ended December 31, 2013, the Company issued approximately 20 million shares of common stock and received \$674 million in connection with the exercise of stock options.

Cash Flows from Discontinued Operations

Details of Cash provided (used) by discontinued operations are as follows (millions):

	Year Ended December 31,		
	2014	2013	2012
		(recast)	(recast)
Cash provided (used) by operations from discontinued operations	\$ (16)	\$ 456	\$ 455
Cash used by investing activities from discontinued operations	(51)	(23)	(26)
Cash used by financing activities from discontinued operations	(36)	-	-
Effect of change in cash and equivalents of discontinued operations	(87)	35	14
Cash provided (used) by discontinued operations	\$ (190)	\$ 468	\$ 443

Outstanding Debt and Other Financing Arrangements***Outstanding Debt and Committed Financial Capacity***

At December 31, 2014, Time Warner had total committed capacity, defined as maximum available borrowings under various existing debt arrangements and cash and short-term investments, of \$30.159 billion. Of this committed capacity, \$7.637 billion was unused and \$22.494 billion was outstanding as debt. At December 31, 2014, total committed capacity, outstanding letters of credit, outstanding debt and total unused committed capacity were as

follows (millions):

	Committed Capacity ^(a)	Letters of Credit ^(b)	Outstanding Debt ^(c)	Unused Committed Capacity
Cash and equivalents	\$ 2,618	\$ -	\$ -	\$ 2,618
Revolving credit facilities and commercial paper program ^(d)	5,000	-	-	5,000
Fixed-rate public debt	21,920	-	21,920	-
Other obligations ^(e)	621	28	574	19
Total	\$ 30,159	\$ 28	\$ 22,494	\$ 7,637

^(a) The revolving credit facilities, commercial paper program and public debt of the Company rank pari passu with the senior debt of the respective obligors thereon. The weighted average maturity of the Company's outstanding debt and other financing arrangements was 13.2 years as of December 31, 2014.

^(b) Represents the portion of committed capacity, including from bilateral letter of credit facilities, reserved for outstanding and undrawn letters of credit.

^(c) Represents principal amounts adjusted for premiums and discounts. At December 31, 2014, the principal amounts of the Company's publicly issued debt mature as follows: \$1.000 billion in 2015, \$1.150 billion in 2016, \$500 million in 2017, \$600 million in 2018, \$650 million in 2019 and \$18.131 billion thereafter. In the period after 2019, no more than \$2.0 billion will mature in any given year.

^(d) The revolving credit facilities consist of two \$2.5 billion revolving credit facilities. The Company may issue unsecured commercial paper notes up to the amount of the unused committed capacity under the revolving credit facilities.

^(e) Unused committed capacity includes committed financings of subsidiaries under local bank credit agreements. Other debt obligations totaling \$118 million are due within the next twelve months.

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2014 Debt Offering

On May 20, 2014, Time Warner issued \$2.0 billion aggregate principal amount of debt securities from its shelf registration statement, consisting of \$650 million aggregate principal amount of 2.10% Notes due 2019, \$750 million aggregate principal amount of 3.55% Notes due 2024 and \$600 million aggregate principal amount of 4.65% Debentures due 2044.

Revolving Credit Facilities

On December 18, 2014, Time Warner amended its \$5.0 billion of senior unsecured credit facilities (the Revolving Credit Facilities), which consist of two \$2.5 billion revolving credit facilities, to extend the maturity dates of both from December 18, 2018 to December 18, 2019 pursuant to a First Amendment, dated as of December 18, 2014, to the amended and restated credit agreement, dated as of January 19, 2011, as amended and restated as of December 18, 2013.

The funding commitments under the Revolving Credit Facilities are provided by a geographically diverse group of 19 major financial institutions based in countries including Canada, France, Germany, Japan, Spain, Switzerland, the United Kingdom and the U.S. In addition, 17 of these financial institutions have been identified by international regulators as among the 30 financial institutions that they deem to be systemically important. None of the financial institutions in the Revolving Credit Facilities account for more than 8% of the aggregate undrawn loan commitments.

Commercial Paper Program

The Company has a commercial paper program, which was established on February 16, 2011 on a private placement basis, under which Time Warner may issue unsecured commercial paper notes up to a maximum aggregate amount not to exceed the unused committed capacity under the Revolving Credit Facilities, which support the commercial paper program.

Additional Information

The obligations of each of the borrowers under the Revolving Credit Facilities and the obligations of Time Warner under the commercial paper program and the Company's outstanding publicly issued debt are directly or indirectly guaranteed on an unsecured basis by Historic TW Inc., Home Box Office and Turner (other than \$2 billion of debt publicly issued by Time Warner in 2006, which is not guaranteed by Home Box Office). See Note 8, Long-Term Debt and Other Financing Arrangements, to the accompanying consolidated financial statements for additional information regarding the Company's outstanding debt and other financing arrangements, including certain information about maturities, interest rates, covenants, rating triggers and bank credit agreement leverage ratios relating to such debt and financing arrangements.

Contractual and Other Obligations

Contractual Obligations

In addition to the financing arrangements discussed above, the Company has obligations under certain contractual arrangements to make future payments for goods and services. These contractual obligations secure the future rights to various assets and services to be used in the normal course of operations. For example, the Company is contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with applicable accounting rules, the future rights and obligations pertaining to certain firm commitments, such as operating lease obligations and certain purchase obligations under contracts, are not reflected as assets or liabilities in the accompanying Consolidated Balance Sheet.

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The following table summarizes the Company's aggregate contractual obligations at December 31, 2014, and the estimated timing and effect that such obligations are expected to have on the Company's liquidity and cash flows in future periods (millions):

<u>Contractual Obligations</u> ^{(a)(b)(c)}	Total	2015	2016-2017	2018-2019	Thereafter
Purchase obligations:					
Network programming obligations ^(d)	\$ 24,982	\$ 2,675	\$ 5,054	\$ 5,094	\$ 12,159
Creative talent and employment agreements ^(e)	1,874	1,211	626	31	6
Other purchase obligations ^(f)	1,324	591	351	182	200
Total purchase obligations	28,180	4,477	6,031	5,307	12,365
Outstanding debt obligations (Note 8)	22,553	1,108	1,689	1,625	18,131
Interest (Note 8)	18,756	1,270	2,426	2,228	12,832
Capital lease obligations (Note 8)	62	13	20	17	12
Operating lease obligations (Note 16)	1,480	317	593	384	186
Total contractual obligations	\$ 71,031	\$ 7,185	\$ 10,759	\$ 9,561	\$ 43,526

- (a) The table does not include the effects of arrangements that are contingent in nature such as guarantees and other contingent commitments (Note 16).
- (b) The table does not include the Company's reserve for uncertain tax positions and related accrued interest and penalties, which at December 31, 2014 totaled \$1.663 billion, as the specific timing of any cash payments relating to this obligation cannot be projected with reasonable certainty.
- (c) The references to Note 8 and Note 16 refer to the notes to the accompanying consolidated financial statements.
- (d) The Turner segment enters into contracts to license sports programming to carry on its television networks. The amounts in the table include minimum payment obligations to sports leagues and organizations (e.g., NBA,

NCAA, MLB) to air the programming over the contract period. Included in the table is \$11.1 billion payable to the NBA over the 10 years remaining on its agreements, \$7.9 billion payable to the NCAA over the 10 years remaining on the agreement, which does not include amounts recoupable from CBS, and \$2.3 billion payable to MLB over the 7 y