TIME WARNER INC.
Form 10-K
February 24, 2012
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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, 2011

Commission file number 001-15062

TIME WARNER INC.

(Exact name of Registrant as specified in its charter)

Delaware	**13-4099534**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Time Warner Center

New York, NY 10019-8016

(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 þ 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 þ

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 þ 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 þ 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 þ	Accelerated filer ¨
Non-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 þ

As of the close of business on February 17, 2012, there were 969,638,079 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, 2011) was approximately $35.24 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 2012 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 reporting segments:

- Networks, consisting principally of television networks and premium pay and basic tier television services that provide programming;
- Filmed Entertainment, consisting principally of feature film, television, home video and videogame production and distribution; and
- Publishing, consisting principally of magazine publishing.

At December 31, 2011, the Company had a total of approximately 34,000 employees.

For convenience, the terms the Company, Time Warner and the Registrant are used in this report to refer to both the parent company and collectively to the parent company and the subsidiaries through which its various businesses are conducted, unless the context otherwise requires.

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 herein 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 the contents of the website into this report.

NETWORKS

The Company s Networks businesses consist principally of domestic and international networks, premium pay and basic tier television services and digital media properties, which primarily consist of brand-aligned websites. The networks owned by Turner Broadcasting System, Inc. (Turner), which are described below, are collectively referred to as the Turner Networks. Premium pay television services consist of the multi-channel HBO and Cinemax premium pay television services (collectively, the Home Box Office Services) operated by Home Box Office, Inc. (Home Box Office).

Turner, a wholly-owned subsidiary of the Company, generates revenues principally from providing programming to cable system operators, satellite service distributors, telephone companies and other distributors (known as affiliates) that have contracted to receive and distribute this programming and from the sale of

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advertising. Turner s agreements with its affiliates are typically long-term 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 and the package of programming provided to the affiliate by each network. Expirations of affiliate agreements are staggered.

Turner s advertising revenues consist of consumer advertising, which is sold primarily on a national basis in the U.S. and on a pan-regional or local-language feed basis outside the U.S. Advertising contracts generally have terms of one year or less. Advertising revenues are generated from a wide variety of advertising categories, including food and beverage, automotive, movie studios, insurance, restaurants, financial and business services, pharmaceutical, telecommunications, apparel and household products. In the U.S., advertising revenues from the Turner Networks are a function of the size and demographics of the audience delivered; the CPM, which is the cost per thousand viewers delivered; and the number of units of time sold. Units sold and CPMs are influenced by the quantitative and qualitative characteristics of the audience of each network, the perceived quality of the network and of the particular programming, overall advertiser demand in the marketplace and general economic conditions. Turner sells a certain amount 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. Turner also uses a portion of its advertising inventory to promote programs airing on the Turner Networks. Outside the U.S., advertising is generally not sold based on audience delivery, but rather is sold at a fixed rate for the unit of time sold, determined by the time of day and network. Turner s websites, including *cartoonnetwork.com* and *CNN.com*, and the websites that Turner manages and operates for third parties, including *NASCAR.com* and *NCAA.com*, generate revenues principally from the sale of advertising and sponsorships.

Home Box Office, a wholly-owned subsidiary of the Company, generates revenues principally from providing programming to cable system operators, satellite service distributors, telephone companies and other distributors that have contracted to receive and distribute such programming to their customers who choose to subscribe to the Home Box Office Services (Subscribers). Home Box Office s agreements with its affiliates are typically long-term arrangements that provide for annual service fee increases and retail promotion activities and have fees that are generally based on the number of Subscribers served by the affiliates. Home Box Office and its affiliates engage in marketing and promotional activities to retain existing Subscribers and acquire new Subscribers. Home Box Office also derives revenues from its original programming through the sale of DVDs and Blu-ray Discs, as well as from the domestic and international licensing of original programming to television networks and in syndication.

The Company s Networks businesses have been pursuing international expansion in select areas, and the Company anticipates that international expansion will continue to be an area of focus at the Networks businesses for the foreseeable future.

Turner

Key contributors to Turner s success are its strong brands and continued investments in high-quality popular programming focused on sports, original and syndicated series, news, movies and animation to drive audience delivery and revenue growth.

Domestic Networks and Related Digital Properties

Turner s networks in the U.S. consist of entertainment and news networks. Turner s entertainment networks include TBS, TNT, Cartoon Network, truTV, Turner Classic Movies and Boomerang. Programming for these entertainment networks is derived, in part, from the Company s film, made-for-television and animation libraries to which Turner or other divisions of the Company own the copyrights and also includes sports programming and other licensed programming, including syndicated television series and movies. Turner s news networks consist of CNN and HLN. High Definition (HD) feeds of TBS, TNT, Cartoon Network, truTV, Turner Classic Movies, CNN and HLN are made available to affiliates. The domestic television household numbers (U.S. television households) provided below are as reported by Nielsen Media Research as of December 2011.

In 2011, Turner continued to expand its online and mobile offerings for on demand viewing of programs from its networks and live streaming from its CNN and HLN networks to authenticated subscribers. These offerings are made available to customers of affiliates who have chosen to subscribe to packages that include the applicable Turner network and who must authenticate their subscription in order to view the programming online or through a mobile application. Authenticated on demand viewing of programs from TNT, TBS, Cartoon Network, Adult Swim and truTV and live simulcast streaming from CNN and HLN was available to over 76 million U.S. households as of December 31, 2011.

The NCAA Division I Men s Basketball Championship tournament games (the NCAA Tournament Games) are being telecast on Turner s TBS, TNT and truTV networks and on the CBS network from 2011 through 2024 under an agreement among Turner, CBS Broadcasting, Inc. (CBS) and The National Collegiate Athletic Association (the NCAA). Turner and CBS work together to produce and distribute the NCAA Tournament Games and related programming, and they sell advertising on a joint basis and share advertising and sponsorship revenues, the programming rights fee and production costs, subject to annual caps on CBS share of any resulting losses. Turner also manages and operates the NCAA s digital portfolio, including *NCAA.com* and *NCAA March Madness Live*, which provides live and on demand streaming video and other related features across broadband and mobile devices.

TBS

TBS reached approximately 99.9 million U.S. television households as of December 2011. TBS is television s very funny network and shows contemporary comedies such as the syndicated series *The Big Bang Theory*, *Family Guy* and *The Office* and the late night talk show *Conan*. TBS is also the home of a growing roster of original series, including *Are We There Yet?* and Tyler Perry s *House of Payne* and *Meet the Browns* for the 2011-2012 season. TBS has the right to produce and telecast a certain number of Major League Baseball (MLB) regular season and playoff games through the 2013 season and certain NCAA Tournament Games through 2024. Related digital properties include *TBS.com* and *TeamCoco.com*, which promote TBS s programming and brands and provide entertainment content, including video clips, original video content, games, community forums, episode guides and, for authenticated subscribers, full episodes of programs airing on TBS.

TNT

TNT reached approximately 99.1 million U.S. television households as of December 2011. TNT focuses on drama and is home to syndicated series such as *Bones*, *Cold Case*, *CSI: NY*, *Las Vegas*, *Law & Order*, *The Mentalist* and *Supernatural*, as well as network premiere movies. For the 2011-2012 season, TNT s original series include *Falling Skies, Franklin & Bash*, *Leverage*, *Rizzoli & Isles*, *Southland* and the final season of *The Closer*. TNT also has the right to produce and telecast a certain number of National Basketball Association (NBA) regular season and playoff games through the 2015-2016 season, certain NASCAR Sprint Cup Series races through 2014, certain Professional Golfers Association (PGA) events through 2019 and certain NCAA Tournament Games through 2024. On June 30, 2011, the collective bargaining agreement between the NBA and the National Basketball Players Association (the Players Association) expired, and on July 1, 2011 the NBA announced a lockout of the players, which resulted in the cancellation of NBA 2011-2012 season games through December 24, 2011. On December 8, 2011, the NBA announced that the NBA Board of Governors and the Players Association had ratified a new collective bargaining agreement, which ended the lockout, and a shortened 2011-2012 66-game regular season began on December 25, 2011.

TNT.tv promotes TNT s programming and brands and provides entertainment and sports content, including video clips, original video content, games, community forums, episode guides and, for authenticated subscribers, full episodes of programs airing on TNT. Turner also operates various third-party websites and mobile applications that are extensions of some of the brands and programming on TNT. Turner operates *NASCAR.com* and *NASCAR.com en Español* and related mobile apps under an agreement with NASCAR and the websites and related digital properties of the PGA and PGA Tour, *PGA.com* and *PGATour.com*, under agreements with the PGA and the PGA Tour. Turner and the NBA jointly manage a portfolio of the NBA s digital businesses, including *NBA.com* and the *NBA GameTime App*.

Cartoon Network and Adult Swim

Cartoon Network (together with Adult Swim, its evening and overnight block of programming aimed at young adults) reached approximately 98.9 million U.S. television households as of December 2011. Cartoon Network offers original and syndicated series and movies for youth and families. For the 2011-2012 season, Cartoon Network s original series include *Adventure Time, Ben 10: Ultimate Alien, Destroy Build Destroy*, *Dude, What Would Happen*, *Generator Rex*, *Hole in the Wall*, *MAD* and *Regular Show*. Adult Swim offers original and syndicated animated and live-action comedy programming for young adults. For the 2011-2012 season, Adult Swim s original series include *Aqua Unit Patrol Squad 1, Childrens Hospital*, *Delocated, Eagleheart*, *Metalocalypse*, *Mongo Wrestling Alliance*, *NTSF:SD:SUV::, Robot Chicken* and *Squidbillies*. *Cartoonnetwork.com* and *adultswim.com* promote the Cartoon Network and Adult Swim programming and brands and provide entertainment content, including video clips, original video content, games, community forums, episode guides and, for authenticated subscribers, full episodes of programs airing on the networks.

truTV

truTV reached approximately 91.8 million U.S. television households as of December 2011. truTV tells real-life stories from a first-person perspective. During the daytime, truTV features expert trial coverage under the name *In Session*. For the 2011-2012 season, truTV s original series include *Conspiracy Theory with Jesse Ventura*, *Hardcore Pawn, Impractical Jokers*, *Lizard Lick Towing* and *World s Dumbest*. truTV is also producing and telecasting certain NCAA Tournament Games from 2011 through 2024. *truTV.com* promotes truTV s programming and brands and provides entertainment content, including video clips, original video content, games, community forums, episode guides and, for authenticated subscribers, full episodes of programs airing on the networks.

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 and regular programming events that include The Essentials, 31 Days of Oscar and Summer Under the Stars. Turner Classic Movies also stages special events and screenings, such as the TCM Classic Film Festival in Hollywood, California. *TCM.com* promotes Turner Classic Movies programming and brand and provides entertainment content, including movie clips, games, the TCM Movie Database featuring rare studio production and publicity material, community forums and schedule guides. The site also features the TCM Shop, which offers DVDs, collectibles and other items for sale to consumers.

Boomerang

Boomerang is a commercial-free network that offers classic animated entertainment such as *The Flintstones, The Jetsons*, *Pink Panther*, *Tom and Jerry* and *Yogi Bear*.

CNN

CNN, the original cable television news service, reached approximately 99.2 million U.S. television households as of December 2011. As of December 31, 2011, CNN managed 47 news bureaus and editorial operations, of which 15 are located in the U.S. For the 2011-2012 season, CNN s programs include *Anderson Cooper 360°*, *Erin Burnett OutFront*, *John King, USA*, *Piers Morgan Tonight* and *The Situation Room with Wolf Blitzer*. In 2011, CNN won two Emmy Awards for breaking news/continuing coverage news and documentary programming, a George Foster Peabody Award for coverage of the Gulf oil spill, the Amnesty International Media Award for human rights reporting and three EPpy Awards from *Editor & Publisher* and *Mediaweek*.

Related digital properties include *CNN.com* and several localized, international editions that feature U.S. and international news articles and videos and related content such as blogs and news analysis. Viewers can submit their own stories through CNN iReport, which may then be featured on the CNN network or *CNN.com*. Live streaming from the network is also available to authenticated subscribers online and on mobile devices. In addition, CNN operates *CNNMoney.com* and related mobile websites and apps in partnership with Time Inc. s

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Money and *Fortune* magazines and *CNNMexico.com* pursuant to a joint venture with Time Inc. s Grupo Expansión, a leading Mexican consumer magazine publisher.

HLN

HLN, the news and views network, reached approximately 98.9 million U.S. television households as of December 2011. For the 2011-2012 season, HLN s programs include *Dr. Drew*, *Jane Velez-Mitchell*, *Morning Express with Robin Meade*, *Nancy Grace* and *Showbiz Tonight*. *HLNtv.com* promotes HLN s programming and brands and provides news and related content, including articles and video clips, community forums, episode guides and, for authenticated subscribers, full episodes of programs airing on the network. Live streaming from the network is also available to authenticated subscribers online and on mobile devices.

International Networks

Turner provides news and entertainment programming to cable system operators, satellite distribution services, telephone companies, Internet Protocol Television (IPTV) system operators, mobile device operators, broadcasters and other distributors for delivery to households, hotels and other viewers in various countries around the world. As of December 31, 2011, Turner distributed over 70 region-specific and local-language networks of its global entertainment brands (Cartoon Network, Turner Classic Movies, Boomerang, TNT and truTV) and 57 networks of its regional entertainment brands in over 200 countries around the world. Turner has been pursuing international expansion in select areas and in recent years has expanded its presence in Africa, Asia, the Baltics, Benelux, Chile, Germany, India, Japan, Korea, Latin America, Turkey, the United Arab Emirates and Scandinavia.

In Latin America, Turner s regional entertainment brands include Space, Infinito, I-Sat, Glitz, HTV and MuchMusic. These brands air movies and series, documentaries, fashion and lifestyle content and music videos. Chilevisión, a leading free-to-air television broadcaster in Chile owned and operated by Turner, airs local news and entertainment. In addition, Turner represents a third-party channel, Wohoo, in Brazil, and Turner provides the advertising sales and network operations services for the WB Channel in Latin America.

In Europe, Turner s regional entertainment brands include Cartoonito (a preschool network), as well as Star (a Hollywood/celebrity/fashion network), Silver (an independent films network), Showtime (an action films network) and TNT7 (a general entertainment network). In addition, Turner distributes Boing (a kids entertainment network) in Italy, France and Spain on digital terrestrial television.

In India and certain other South Asian territories, Turner owns and operates Pogo, an entertainment network for children. In India, Turner also holds substantially all of the equity interests in NDTV Imagine, which owns a Hindi general entertainment network. Turner also distributes and sells advertising for HBO in India and the Maldives. In Japan, Turner owns and operates Mondo TV, an entertainment network geared toward men, and Tabi, an entertainment network focused on travel. Turner also distributes WB, an English language entertainment network in India that features movies and television programming that is primarily licensed from Warner Bros. In Korea, Turner operates through a joint venture Cartoon Network Korea and Q-TV, a documentary network.

CNN International, an English language news network, was distributed in more than 200 countries and territories as of December 31, 2011. CNN International has network feeds in five regions: Europe/Middle East/Africa, Asia Pacific, South Asia, Latin America and North America. HLN is distributed in Canada, the Caribbean, parts of Latin America and the Asia Pacific region. CNN en Español, a separate Spanish language news network, is distributed in Latin America and the U.S.

In a number of regions, Turner has launched local-language versions of CNN through joint ventures or contractual arrangements with local partners. These include CNN Turk, a Turkish language 24-hour news network available in Turkey and the Netherlands; CNN Chile, a Spanish language 24-hour news network distributed in Chile; and CNNj, an English-with-Japanese-translation news service in Japan. In addition, CNN content is distributed through CNN-IBN, a co-branded, 24-hour, English language general news and current affairs network in India.

Home Box Office

HBO, operated by Home Box Office, is the nation s most widely distributed multi-channel premium pay television service. At December 31, 2011, Home Box Office had approximately 93 million worldwide subscribers, which consisted of approximately 39.5 million domestic premium pay subscribers and approximately 53.4 million premium pay and basic tier television service subscribers in HBO Central Europe and unconsolidated international joint ventures. Both HBO and Cinemax are made available in HD on a number of multiplex channels. Home Box Office also offers HBO On Demand and Cinemax On Demand, products that enable Subscribers to view programs at the time they choose.

In 2010, Home Box Office launched authenticated online video offerings of HBO and Cinemax by rolling out HBO GO and MAX GO for broadband connected computers. In 2011, Home Box Office made HBO GO and MAX GO available on mobile devices, including the iPad, iPhone, iPod touch and Android smart phones. HBO GO and MAX GO were available to approximately 80% and 85%, respectively, of their domestic Subscriber bases as of December 31, 2011. Home Box Office anticipates that HBO GO and MAX GO will be available to essentially all of their respective domestic Subscriber bases by March 31, 2012. Home Box Office also plans to make HBO GO available on additional platforms during 2012, including Microsoft s Xbox 360.

A major portion of the programming on HBO and Cinemax consists of recently released, uncut and uncensored theatrical motion pictures. Home Box Office s practice has been to negotiate licensing agreements of varying duration with major motion picture studios and independent producers and distributors in order to ensure continued access to such films. These agreements typically grant to Home Box Office the exclusive right to exhibit and distribute recently released and certain older films owned by the particular studio, producer or distributor on a subscription basis (including via broadband) in exchange for negotiated fees, which may be a function of, among other things, the box office performances of the films.

HBO is also defined by its award-winning original dramatic and comedy series, such as *True Blood*, *Boardwalk Empire*, *Game of Thrones* and *Curb Your Enthusiasm*, as well as movies, mini-series, boxing matches and sports news programs, comedy specials, family programming and documentaries. In 2011, Cinemax launched its first original primetime series, *Strike Back*, and plans to premiere additional new original primetime series in 2012. Among other awards, HBO won three Golden Globes in 2012 as well as 19 Primetime Emmys and seven Sports Emmys in 2011. In addition, in 2011, HBO won seven George Foster Peabody Awards, including awards for the film *Temple Grandin*, the mini-series *The Pacific* and the documentary *If God is Willing and da Creek Don t Rise*, and an Academy Award for the Best Documentary Short for the documentary *Strangers No More*.

Home Box Office also generates revenues from the exploitation of its original programming through multiple distribution outlets. HBO Home Entertainment markets a variety of HBO s original programming on DVD and Blu-ray Discs. Home Box Office licenses its original series, such as *The Sopranos, Sex and the City, Entourage* and *Curb Your Enthusiasm*, to domestic television networks, and its original programming is also licensed to television networks in over 150 countries. In addition, Home Box Office content is distributed in the U.S. and various international regions by Apple, Amazon, Sony and Walmart s Vudu subsidiary through their respective online stores. The Home Box Office-produced show *Everybody Loves Raymond*, which aired for nine seasons on broadcast television, is currently on basic cable and in syndication as well.

HBO- and Cinemax-branded premium pay and basic tier television services are distributed in more than 60 countries in Latin America, Asia and Central Europe. Home Box Office has owned all of HBO Central Europe since the first quarter of 2010. In the first quarter of 2011, Home Box Office acquired an additional 8% equity interest in HBO Latin America Group, consisting of HBO Brasil, HBO Olé and HBO Latin America Production Services (collectively, HBO LAG), bringing its interest in HBO LAG to 88%. In recent years, Home Box Office also has acquired additional equity interests in HBO Asia and HBO South Asia.

The CW

The CW broadcast network (The CW) is a 50-50 joint venture between Warner Bros. and CBS Corporation. The CW s 2011-2012 schedule includes, among other things, a 5-night, 10-hour primetime lineup with advertising-supported programming such as *90210, America s Next Top Model, Gossip Girl*, *Hart of*

Dixie, *One Tree Hill*, *Nikita*, *Ringer, The Secret Circle*, *Supernatural* and *The Vampire Diaries*, as well as a five-hour block of advertising-supported, animated children s programming on Saturday mornings. As of December 31, 2011, The CW was carried nationally by affiliated television stations covering 96% of U.S. television households, including 13 stations owned by Tribune Broadcasting and 8 stations owned by CBS Corporation. The CW programming can also be viewed on the advertising-supported website, *cwtv.com*.

In October 2011, Warner Bros. and CBS Corporation entered into an agreement with Netflix, Inc. that allows U.S. members of Netflix to stream previous seasons of the scripted series that aired on The CW beginning in Fall 2011, as well as previous seasons of new scripted series produced by Warner Bros. or CBS Corporation that premiere on The CW through the 2014-2015 season. These rights extend for a period of four years after the end of each series broadcast run on The CW. Also in October 2011, The CW Network, LLC entered into a five-year agreement with Hulu, LLC (Hulu) granting Hulu the right to stream in-season episodes of The CW s programming on the Hulu Plus subscription service and the free, advertising-supported Hulu website. The most recent five episodes of the network s primetime series appear on Hulu Plus the morning after they air on The CW and then become available on Hulu s advertising-supported website eight days after they air on The CW.

Central Media Enterprises Ltd.

The Company holds an approximate 34% economic interest in Central Media Enterprises Ltd., a publicly-traded broadcasting company that operates leading networks in six Central and Eastern European countries as of December 31, 2011.

Competition

The Networks businesses compete with other television services for marketing and distribution by cable, satellite and other distribution systems. The Turner Networks and websites compete for advertising with other networks and media such as the Internet, print, radio and outdoor display. The Networks businesses also compete for viewers attention and audience share with all other forms of programming provided to viewers, including other television networks and premium pay television services, local over-the-air television stations, motion pictures, home video products and services (including subscription rental and Internet streaming services and rental kiosks), pay-per-view and video-on-demand services, online activities (including Internet streaming and downloading), and other forms of news, information and entertainment. In addition, competition for programming, particularly licensed and sports programming is intense, and the Networks businesses face competition for programming from those same television networks, premium pay television services, local television stations and over-the-top content aggregators.

The production divisions in the Networks businesses compete with other production companies for the services of producers, directors, writers, actors and others and for the acquisition of scripts.

FILMED ENTERTAINMENT

The Company s Filmed Entertainment businesses produce and distribute feature films, television and other programming and videogames; distribute home video product; and license rights to the Company s feature films, television programming and characters. All of these businesses are principally conducted by various subsidiaries and affiliates of Warner Bros. Entertainment Inc., a wholly owned subsidiary of the Company, that are known collectively as the Warner Bros. Entertainment Group (Warner Bros.).

Feature Films

Warner Bros. produces feature films both wholly on its own and under co-financing arrangements with others, and also distributes its films and films produced by third parties. Warner Bros. feature films are produced under the Warner Bros. Pictures and New Line Cinema banners. The terms of Warner Bros. agreements with independent producers and other entities are separately negotiated and vary depending on the production, the amount and type of financing by Warner Bros., the media and territories covered, the distribution term and other factors.

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Warner Bros. feature film strategy focuses on offering a diverse slate of feature films with a mix of genres, talent and budgets that includes several event films each year and building and leveraging franchises, such as *Batman*, *Harry Potter* and *The Lord of the Rings*. During 2011, Warner Bros. released 22 original films for theatrical exhibition, including *Green Lantern*, *The Hangover Part II*, *Harry Potter and the Deathly Hollows: Part 2*, *Horrible Bosses* and *Sherlock Holmes: A Game of Shadows*. Of the films released during 2011, seven were released in 3D format, including *Green Lantern*, *Happy Feet 2* and *Harry Potter and the Deathly Hollows: Part 2*. Warner Bros. released one film in January 2012, and plans to release 21 additional films throughout the year, including *The Dark Knight Rises*, *Dark Shadows*, *The Gangster Squad*, *Gravity*, *The Great Gatsby*, *The Hobbit: An Unexpected Journey*, *Rock of Ages* and *Wrath of the Titans*. Of the original feature films expected to be released during 2012, Warner Bros. expects to release six in 3D format, including *Gravity*, *The Great Gatsby*, *The Hobbit: An Unexpected Journey* and *Wrath of the Titans*. Release dates for Warner Bros. feature films are determined by a number of factors, including competition and the timing of vacation and holiday periods. Films released theatrically in the U.S. generally are released in international territories either day-and-date with the domestic release or according to a staggered release schedule.

Warner Bros. incurs significant production, marketing, advertising and distribution costs in connection with the theatrical release of a film. As a result, Warner Bros. typically incurs losses with respect to a particular film prior to and during a film s theatrical exhibition, and a particular film may not produce a profit until well after the film s theatrical release. In response to the high cost of producing theatrical films, Warner Bros. has entered into certain film co-financing arrangements with other companies, decreasing its financial risk while in most cases retaining substantially all worldwide distribution rights. Of Warner Bros. total 2011 releases, 13 were wholly financed by Warner Bros. and nine were financed with or by others. Warner Bros. has co-financing arrangements with Village Roadshow Pictures and Legendary Pictures, LLC. In addition, Warner Bros. has an exclusive distribution arrangement with Alcon Entertainment for distribution of all of Alcon s motion pictures in domestic and certain international territories. Warner Bros. also has an exclusive distribution arrangement with Dark Castle Holdings, LLC for films produced on or before September 30, 2012, under which Warner Bros. has agreed to distribute up to 15 Dark Castle feature films throughout the U.S. and, generally, in all international territories.

Warner Bros. also distributes feature films acquired or produced for theatrical exhibition in more than 125 international territories. In 2011, Warner Bros. released 20 such English-language and 23 such local-language films.

After their theatrical exhibition, Warner Bros. licenses its newly produced films, as well as films from its library, both domestically and internationally for distribution in various windows on broadcast and cable networks and premium pay television services and also distributes its films on DVD and Blu-ray Discs and in digital versions. Each of these windows is discussed in more detail below.

Newly produced films are released in the home entertainment window approximately four to six months following their release to theatrical exhibition, with the release date being influenced by seasonality, competitive conditions, film attributes and expected performance. In the U.S. and most major international markets, Warner Bros. generally releases all films simultaneously for DVD and Blu-ray Disc sales (including, for most new release titles, an UltraViolet digital copy), video on demand (VOD) and electronic sell-through (EST). Warner Bros. generally releases newly produced films to brick and mortar retailers, by-mail and kiosk rental services 28 to 56 days following their release to other home entertainment channels. Following the release of newly produced films in the home entertainment window, Warner Bros. licenses its newly produced films, as well as films from its library, for distribution in various windows to broadcast and cable networks and premium pay television services both domestically and internationally, including the Company s networks and premium pay and basic tier television services.

Warner Bros. has an extensive film library consisting of rights to over 6,000 films previously released by Warner Bros. and other studios.

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Television

Warner Bros. Television Group (WBTVG) is one of the world s leading suppliers of television programming, distributing programming in the U.S. and internationally. WBTVG both develops and produces television series, reality-based entertainment shows and animation programs for the Company s networks and third parties. WBTVG licenses such programming for initial telecast and off-network exhibition, VOD and EST. During 2011, WBTVG licensed the cable and local off-network rights for *The Big Bang Theory*, the second cycle local off-network rights for *Two and a Half Men* and the third cycle local off-network rights for *Friends*.

WBTVG programming is primarily produced by Warner Bros. Television (WBTV), a division of WB Studio Enterprises Inc. that produces primetime dramatic and comedy programming for broadcast and cable networks, including the Company s networks; Warner Horizon Television Inc. (Warner Horizon), which specializes in unscripted programming for broadcast networks as well as scripted and unscripted programming for cable networks; and Telepictures Productions Inc. (Telepictures), which specializes in reality-based and talk/variety series for the syndication and daytime markets. For the 2011-12 season, WBTV is producing, among others, *Gossip Girl*, *Nikita*, *The Secret Circle* and *The Vampire Diaries* for The CW and *2 Broke Girls*, *The Big Bang Theory*, *Fringe*, *Harry s Law*, *The Mentalist*, *The Middle*, *Mike & Molly*, *Person of Interest*, *Suburgatory* and *Two and a Half Men* for other broadcast networks. WBTV also produces original series for cable networks, including *The Closer* and *Southland* for TNT. Warner Horizon produces primetime reality series, such as *The Bachelor*, and other original series for cable networks, including *Pretty Little Liars* and *Rizzoli & Isles* for TNT. Telepictures produces first-run syndication shows such as *Anderson*, *The Ellen DeGeneres Show*, *Extra* and *TMZ*. Many of WBTVG s current on-air television series are available on demand via broadband and wireless streaming and downloading and VOD platforms under agreements entered into with the networks exhibiting the series.

WBTVG also licenses programming from Warner Bros. television library, which consists of rights to many television series, reality-based entertainment shows, animation programs and made-for-television movies, for exhibition in various media in the U.S. and internationally. WBTVG also selectively licenses certain off-air or library television series for exhibition online in the U.S. to broadcast licensees and third party video exhibition sites. Internationally, WBTVG has a number of Warner Bros. branded on-demand program services, which, as of December 31, 2011, included eight services in each of China and Japan, seven services in the U.K., five in Germany, four in France, two in each of Australia, Canada, Finland, Greece, Italy, New Zealand and Portugal, and one in each of Denmark, Dubai, Hong Kong, Korea, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan and Turkey. In addition, WBTVG operates pan-regional linear Warner Bros. branded general entertainment channels in Latin America and Asia, and supplies programming to a linear Warner Bros. branded general entertainment channel in Canada and India.

During 2011, Warner Bros. International Television Distribution Inc. concluded significant license agreements in numerous international territories around the world, including Canada, Germany, Eastern Europe, the Middle East, the Netherlands, New Zealand, Scandinavia, South Africa and the United Kingdom. In addition, Warner Bros. International Television Production (WBITVP) continued to pursue its strategy of acquiring local television production companies in international territories with a focus on non-scripted programs and formats that can be sold internationally and adapted for sale in the U.S. WBITVP also licensed to local broadcasters the right to create locally produced versions of programs owned by the studio.

Warner Bros. Animation Inc. (WBAI) creates, develops and produces contemporary animated television programming and original made-for-DVD releases, including *Green Lantern, MAD, Scooby-Doo Mystery Inc.* and *Young Justice* for Cartoon Network. WBAI also oversees the creative use of, and production of animated programming based on, classic animated characters from Warner Bros., including *Looney Tunes*, and from the Hanna-Barbera and DC Comics libraries.

WBTVG s *TMZ.com* is one of the leading entertainment news brands in the U.S. across online, TV and mobile platforms. WBTVG operates websites for many of its syndicated television properties, including *The Ellen DeGeneres Show* and *Extra*. The destination site *TheWB.com* is an online video site featuring programming from the Warner Bros. library and original content, and WBTVG s *KidsWB.com* is a casual game and video online destination site with a target audience of kids ages 6-12. WBTVG s digital production venture, Studio 2.0, creates short-form original programming for online and mobile distribution both domestically and internationally.

Home Entertainment DVDs and Blu-ray Discs

Warner Home Video (WHV), a division of Warner Bros. Home Entertainment Inc. (WBHE), distributes DVDs and Blu-ray Discs containing filmed entertainment product and television programming produced or otherwise acquired by the Company s various content-producing subsidiaries and divisions, including Warner Bros. Pictures, Warner Bros. Television, New Line Cinema, Home Box Office and Turner. Significant WHV releases of filmed entertainment product during 2011 included *Due Date, Green Lantern, The Hangover Part II*, *Harry Potter and the Deathly Hallows: Part 1* and *Harry Potter and the Deathly Hallows: Part 2*. The DVDs and Blu-ray Discs for most new titles in the United States after the fourth quarter of 2011 include an UltraViolet digital copy. WHV also distributes DVDs and Blu-ray Discs containing filmed entertainment product and television programming from Warner Bros. extensive library. In addition, WHV distributes third party content on DVDs and Blu-ray Discs for the BBC and Sesame Street in the U.S. and has similar distribution relationships with content producers outside the U.S.

WHV sells and licenses DVD and Blu-ray Disc product for resale in the U.S. and in major international territories to retailers and wholesalers through its own sales force, with warehousing and fulfillment handled by third parties. In some countries, WHV s product is distributed through licensees. DVD and Blu-ray Disc product is replicated by third parties under contract with WHV and/or its affiliates in applicable territories. The replication of DVD and Blu-ray Disc product for the U.S., Canada, Europe and Mexico is provided under long-term contracts with two manufacturers, and the replication of DVD and Blu-ray Disc product for Japan is provided under a long-term contract with one manufacturer.

Home Entertainment Digital Media

Warner Bros. Digital Distribution (WBDD), a division of WBHE, enters into domestic and international licensing arrangements for the distribution of Warner Bros. film and television content as well as acquired third party content through VOD and EST transactions via cable system operators, satellite distribution services, telephone companies, online services and mobile platforms for delivery to consumers worldwide. WBDD also licenses catalog movies, as well as a slate of catalog television shows, including *Nip/Tuck* and several television series with a limited number of episodes, to various subscription on demand streaming services. In 2011, WBDD continued its strategy of expanding the distribution of its films globally and as of December 31, 2011, was distributing its films via VOD and/or EST in the U.S. and 65 international territories. WBDD also makes UltraViolet-enabled digital copies of films available to consumers who purchase Warner Bros. DVDs and Blu-ray Discs. Consumers can then download or stream a file containing the film to computers and a variety of devices through Flixster, Inc., a social movie site that WBHE acquired in May 2011.

WBDD has also entered into content licensing deals for online and mobile videogames involving Warner Bros. and DC Comics properties. In addition to its content licensing activities, WBDD publishes mobile applications featuring Warner Bros. content, including App Editions of feature films, which enable consumers to download the application and certain promotional content for free and then purchase the film and additional content for downloading and streaming. In 2011, WBDD published App Editions of the *Harry Potter Film Collection* featuring all films in the franchise and additional content for downloading and streaming on Android devices. WBDD manages Warner Bros. direct-to-consumer retail website, *wbshop.com*, which includes distribution of the Warner Archive Collection titles. As of December 31, 2011, the service had more than 1,100 film titles and television series available, many of which have not been released previously on DVD.

Interactive Entertainment

Warner Bros. Interactive Entertainment (WBIE), a division of WBHE, is a developer and publisher of interactive entertainment, including videogames for console and handheld platforms, social networking games and mobile games. In addition, WBIE develops, publishes and operates massively multiplayer online games through Turbine Inc. (Turbine), a subsidiary of WBHE. WBIE develops games for a variety of platforms, including Sony s PlayStation 3, Nintendo s Wii, and Microsoft s Xbox 360 and Kinect console systems; Sony s PlayStation Portable and Nintendo s Dual Screen, DSi and 3DS handheld devices; the PC; Apple s iPhone and iPad; and various Android devices. In partnership with WBDD, WBIE also develops and publishes videogames

(and additional downloadable content) for digital distribution on multiple platforms. WBIE s videogames are based on newly created intellectual property, as well as intellectual properties owned by Warner Bros., DC Comics and third party licensors.

In 2011, WBIE s significant releases for traditional handheld, console and PC/Mac platforms included *Batman: Arkham City, Mortal Kombat, F.E.A.R. 3* and *LEGO Harry Potter: Years 5-7*, and WBIE s significant releases for mobile apps platforms in 2011 included *Batman Arkham City Lockdown* and *Scribblenauts Remix*. In addition, in 2011 Turbine released the *Rise of Isengard* expansion pack to its massively multiplayer online role-playing game *Lord of the Rings Online*.

WBIE also licenses Warner Bros. and DC Comics properties for videogames on various platforms to third party publishers, and WBIE publishes and distributes video game titles owned by third parties.

Other Entertainment Assets

Warner Bros. Consumer Products Inc. licenses rights to manufacturers, publishers, retailers, theme park operators and other licensees both domestically and internationally to the names, likenesses, images, logos and other representations of characters and copyrighted material from the films and television series produced or distributed by Warner Bros., including *Harry Potter*, the superhero characters of DC Comics, Hanna-Barbera characters, classic films and *Looney Tunes*.

DC Entertainment, which is wholly owned by the Company, is responsible for bringing the DC Comics business, brand and characters from comics into other content and distribution businesses, including feature films, television programming, videogames, direct-to-consumer platforms, and consumer products. DC Comics, also wholly owned by the Company, published on average 86 comic books and 24 graphic novels per month in 2011, featuring such popular characters as *Batman*, *Green Lantern*, *The Sandman*, *Superman* and *Wonder Woman*. In August 2011, DC Comics launched a renumbering of the entire DC Universe line of comic books with 52 first issues, including titles such as *Action Comics* and *Detective Comics*, which introduced *Superman* and *Batman* in the 1930s. DC Entertainment is the operating name of E.C. Publications, Inc., which also publishes *MAD* magazine.

Competition

The production and distribution of feature films, television programming and videogames are highly competitive businesses. These businesses compete with each other, as well as with other forms of entertainment, including Internet streaming and downloading, websites providing social networking and user-generated content, videogames and other online activities, sports, print media, live events and radio broadcasts for consumers entertainment and leisure time and spending. Furthermore, there is intense competition in the television industry evidenced by the increasing number and variety of networks now available. There is active competition among all production companies in these industries for the services of producers, directors, writers, actors and others and for the acquisition of literary properties. With respect to the distribution of television programming, there is significant competition from independent distributors as well as major studios. The competitive position of a producer or distributor of feature films, television programming and videogames is also greatly affected by the quality of, and public response to, the entertainment content it makes available to consumers.

Warner Bros. also competes in its character merchandising and other licensing activities with other licensors of characters, brands and celebrity names.

PUBLISHING

The Company s publishing business is conducted primarily by Time Inc., a wholly owned subsidiary of the Company. Time Inc. is the largest magazine publisher in the U.S. based on advertising revenues, as measured by Publishers Information Bureau (PIB). In addition to publishing magazines, Time Inc. also operates a number of websites, as well as book publishing businesses, marketing services businesses and other marketing businesses.

Publishing

As of December 31, 2011, Time Inc. published 21 magazines in print in the U.S., including *People*, *Sports Illustrated*, *Time, InStyle*, *Real Simple*, *Southern Living*, *Entertainment Weekly* and *Fortune*, and over 70 magazines outside the U.S., primarily through IPC Media (IPC) in the U.K. and Grupo Expansión (GEX) in Mexico. In addition, as of December 31, 2011, Time Inc. operated over 45 websites, such as *CNNMoney.com*, *People.com* and *Time.com*, that collectively had average monthly unique visitors of over 55 million in the U.S., the U.K., Mexico and other countries during the fourth quarter of 2011, according to comScore Media Metrix.

Time Inc. also publishes magazine content on multiple digital devices and platforms. As of December 31, 2011, all of Time Inc. s U.S. magazines were available as tablet editions. Time Inc. offers an All Access model for its U.S. magazines that provides a print subscription plus cross-platform digital access to subscribers. On certain digital devices and platforms, Time Inc. offers digital-only subscriptions and single-copy issues to each of its magazines as well. In addition, print subscribers to Time Inc. s U.S. magazines are able to access the tablet edition of the print magazine to which they subscribe for no additional fee. Time Inc. also continues to extend its brands by developing and launching free and paid apps that are available for download across various digital devices and platforms, including EW s Must List, InStyle Hairstyle Try-On, People Celebrity News Tracker, Real Simple: To-Do List and SI Swimsuit, and mobile versions of *CNNMoney.com*, *SI.com* and *Time.com*.

Time Inc. s U.S. magazines and companion websites are organized into four business units: (1) Style and Entertainment, (2) Lifestyle, (3) News and (4) Sports. This structure has enabled Time Inc. to better focus on the strengths of these products and reduce costs by bringing together under centralized management products that have a common appeal in the marketplace. Additionally, across Time Inc. s four U.S. business units, magazine consumer marketing and production and distribution activities are generally centralized, and subscription fulfillment activities for Time Inc. s U.S. magazines are primarily administered from a centralized facility in Tampa, Florida.

In 2009, Time Inc., together with four other leading publishers, formed Next Issue Media, an independent venture to develop a digital storefront and related technology to allow consumers to enjoy media content on portable digital devices. Next Issue Media opened its digital storefront in 2011. Time Inc. makes available single-copy issues and digital subscriptions of Time Inc. s U.S. magazines for download on digital devices through Next Issue Media s digital storefront. In addition, print subscribers of Time Inc. s U.S. magazines are able to access through Next Issue Media the tablet edition of the print magazine to which they subscribe for no additional fee.

Style and Entertainment

People is a weekly magazine that reports on celebrities and other newsworthy individuals. *People* magazine generated approximately 19% of Time Inc. s revenues in 2011. The *People* franchise also includes: *People StyleWatch,* a monthly magazine aimed at U.S. style-conscious younger readers; *People en Español,* a monthly Spanish-language magazine aimed primarily at U.S. Hispanic readers; *People.com*, a leading website for celebrity news, photos and entertainment coverage; and *PeopleEnEspañol.com*, a bilingual website aimed primarily at the U.S. Hispanic audience.

InStyle, a monthly magazine, and *InStyle.com*, a related website, focus on celebrity, lifestyle, beauty and fashion. Time Inc. also publishes *InStyle* in the U.K. through IPC and in Mexico through GEX.

Entertainment Weekly, a weekly magazine, and *EW.com*, a related entertainment news website, feature reviews and reports on movies, DVDs, video, television, music and books.

Essence Communications Inc. (ECI) publishes *Essence*, a leading lifestyle magazine for African-American women in the U.S., and *Essence.com,* a related website. ECI also produces the annual Essence Music Festival and its related television show, tvOne Night Only Live From the Essence Music Festival, the latter in partnership with tvOne networks.

Lifestyle

Real Simple, a monthly magazine, and *RealSimple.com*, a related website, focus on life, home, body and soul and provide practical solutions to make women s lives easier.

Southern Living, a monthly regional magazine, and *SouthernLiving.com*, a related website, focus on lifestyles in the southern part of the U.S.

Cooking Light, a monthly epicurean magazine, and *CookingLight.com*, a related website, focus on cooking healthy and great tasting meals.

All You, a monthly magazine, and *AllYou.com*, a related website, focus on lifestyle and service for value conscious women.

Sunset, a monthly magazine, and *Sunset.com*, a related website, focus on western lifestyle in the U.S.

Health, a monthly magazine for women, and *Health.com*, a related website, focus on information about health and wellness.

This Old House, a magazine published 10 times per year, and *ThisOldHouse.com*, a related website, focus on home improvement. Time Inc. also produces two television series, *Ask This Old House* and *This Old House,* which focus on home improvement.

Coastal Living, a monthly shelter and lifestyle magazine, and *CoastalLiving.com*, a related website, focus on home design and lifestyles in coastal areas of the U.S.

MyRecipes.com, a recipes website, and *MyHomeIdeas.com*, a shelter website, both feature original content and content from other Time Inc. Lifestyle brands.

News

Time is a weekly newsmagazine that summarizes the news and interprets the week s events, both national and international. *Time* also has three English-language weekly editions that circulate outside the U.S. *TIME.com,* a related website, provides breaking news and analysis, giving its readers access to its 24-hour global newsgathering operation and its vast archive. *Time for Kids* is a weekly current events newsmagazine for children ages five to 13.

Fortune is a magazine published 18 times per year that reports on worldwide economic and business developments and compiles the annual Fortune 500 list of the largest U.S. corporations. *Fortune* also has two English-language international editions that circulate outside the U.S. Time Inc. also publishes *Money,* a monthly magazine that reports primarily on personal finance. *Fortune* and *Money* combine their resources on the *CNNMoney.com* website, a leading financial news and personal finance website that is operated in partnership with CNN.

Sports

Sports Illustrated is a weekly magazine that covers sports. *Sports Illustrated for Kids* is a monthly sports magazine intended primarily for pre-teenagers. *SI.com* is a leading sports news website that provides up-to-the-minute scores and sports news 24/7, as well as statistics and analysis of domestic and international professional sports and college and high school sports.

Golf is a leading monthly golf magazine. *Golf.com* is a related website that features user-friendly content designed to help readers play their best golf and maximize their golfing experience.

Other Publishing Operations

Time Inc. also has responsibility under a management contract for the American Express Publishing Corporation s publishing operations, including its travel and epicurean magazines *Departures*, *Food & Wine* and *Travel & Leisure* and their related websites.

International

IPC, a leading U.K. consumer magazine publisher, publishes approximately 55 magazines as well as numerous special issues. IPC is organized into three operating divisions, Connect, Inspire and SouthBank, which are aligned with its three core audience groups of mass-market women, men and upscale women. This structure

is intended to facilitate the delivery of highly targeted audiences to IPC s advertisers and bring focus and efficiency to IPC s operations. IPC s magazines include (i) in the Connect division, *TVTimes* and *What s On TV*, television listing magazines; *Chat*, *Woman* and *Woman s Own*, women s lifestyle magazines; and *Now*, a celebrity magazine; (ii) in the Inspire division, *Country Life* and *Horse & Hound*, magazines focused on leisure; and (iii) in the SouthBank division, *Homes & Gardens*; *Ideal Home*; and *woman&home*, magazines focused on homes and gardens. In addition, IPC publishes four magazines through three unconsolidated joint ventures with Groupe Marie Claire.

IPC websites include *goodtoknow.co.uk*, a website for women providing advice and tips on family and health, entertainment and recipes; *housetohome.co.uk*, a home inspiration and decorating resource; and *NME.com*, a contemporary music news and reviews website. In March 2011, IPC launched 25 mobile-optimized websites for some of its magazines, including *Good to Know*, *Marie Claire* and *NME*, and by the end of 2011 had over 35 mobile-optimized websites. In July 2011, *Wallpaper**, an international design, fashion and lifestyle magazine published by IPC, launched a monthly tablet edition of the magazine, available for no additional fee to all print subscribers.

GEX, a leading Mexican consumer magazine publisher, publishes 13 magazines in Mexico including: *Chilango*, a Mexico City listing guide; *Expansión*, a business magazine; *IDC*, a tax and accounting bulletin; *InStyle Mexico*, a fashion and lifestyle magazine for women; and *Quién*, a celebrity and personality magazine. In addition, GEX publishes two magazines through an unconsolidated joint venture with Hearst Corporation. GEX also owns and operates *CNNExpansíon.com*, a leading business website in Mexico, *MedioTiempo.com*, a leading sports website in Mexico, *MetrosCúbicos.com*, a leading website for classified real estate listings in Mexico, and *Quien.com*, a leading celebrity website in Mexico. In addition, through a joint venture, GEX and Turner operate *CNNMexico.com*, a Spanish-language news website that provides local, national and international news from a Mexican perspective.

Time Inc. licenses over 55 editions of its magazines for print publication outside the U.S. to publishers in 25 countries. In addition, Time Inc. licenses digital content to digital and mobile platform operators in over 50 countries outside the U.S.

Advertising

Time Inc. derives approximately half of its revenues from the sale of advertising, primarily from its print magazines with a smaller amount of advertising revenues from its websites and the tablet editions of its magazines. Advertising carried in Time Inc. s magazines, including on tablet editions and on its websites, is predominantly consumer advertising, including toiletries and cosmetics, food, drugs, financial services and insurance, automobiles, retail and department stores, media and movies, travel and home, computers and telecommunications, and apparel and accessories.

In 2011, Time Inc. s U.S. magazines accounted for 21.0% (compared to 20.7% in 2010) of the total U.S. advertising revenues in consumer magazines, excluding newspaper supplements, as measured by PIB. *People*, *Sports Illustrated* and *Time* were ranked 1, 3 and 5, respectively, in terms of PIB-measured advertising revenues in 2011, and Time Inc. had 6 of the top 25 leading magazines based on the same measure.

Circulation

Through the sale of magazines to consumers, circulation generates significant revenues for Time Inc. In addition, circulation is an important component in determining Time Inc. s advertising revenues because advertising rates are based on circulation and audience. Most of Time Inc. s U.S. magazines are sold primarily by subscription and delivered to subscribers through the mail. Most of Time Inc. s international magazines are sold primarily at newsstands. Subscriptions in the U.S. are sold primarily through direct mail and online solicitation, subscription sales agents, marketing agreements with other companies and insert cards in Time Inc. magazines and other publications. Print subscribers to Time Inc. s U.S. magazines are able to access the tablet edition of the print magazine to which they subscribe for no additional fee. Additionally, digital-only subscriptions and single-copy issues of Time Inc. s U.S. magazines are sold through various app stores and other digital storefronts across multiple platforms.

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Time Inc. s Synapse Group, Inc. (Synapse) is a leading seller of domestic magazine subscriptions to Time Inc. magazines and magazines of other U.S. publishers. Synapse sells magazine subscriptions principally through marketing relationships with commercial airlines that have frequent flier programs, brick and mortar retailers, Internet retailers and consumer catalog companies.

Newsstand sales of magazines, which are reported as a component of Subscription revenues, are sold through traditional newsstands as well as other retail outlets such as Wal-Mart, supermarkets and convenience and drug stores, and may or may not result in repeat purchases. Time/Warner Retail Sales & Marketing Inc. distributes and markets copies of Time Inc. magazines and certain other publishers magazines through third-party wholesalers primarily in the U.S. and Canada. Wholesalers, in turn, sell Time Inc. magazines to retailers. A small number of wholesalers are responsible for a substantial portion of Time Inc. s newsstand sales of magazines. IPC s Marketforce (U.K.) Limited distributes and markets copies of all IPC magazines, some international editions of Time Inc. s U.S. magazines and certain other publishers magazines outside of the U.S. through third-party wholesalers to retail outlets.

In January 2012, Time Inc. sold the school fundraising business, QSP, which offers fundraising programs that help schools and youth groups raise money through the sale of subscriptions to Time Inc. s and other publishers magazines, among other products.

Marketing Services

Time Inc. conducts marketing services businesses. The marketing services include developing customer-relationship marketing programs, custom client publications, multi-channel branded content programs and programs on other platforms that enable clients to create and sustain profitable relationships with their customers. The marketing services also include geographic-targeted and demographic-targeted advertising solutions for marketers in magazines, online and on other digital platforms.

Books

Time Inc. conducts niche book publishing. Time Inc. s book publishing business consists of Time Home Entertainment Inc. (THEI) and Oxmoor House Inc., which publish how-to, lifestyle and special commemorative books and books on other topics through retail and direct mail channels under TIME books, LIFE books, Oxmoor House, Sunset and other imprints. THEI also publishes a number of books under licensed third-party brands.

Competition

Time Inc. faces significant competition from several direct competitors and other media, including the Internet. Time Inc. s magazine and website operations compete with numerous other magazine and website publishers and other media for circulation and audience and for advertising directed at the general public and at more focused demographic groups. The publishing business presents few barriers to entry and many new magazines and websites are launched annually. Time Inc. also creates tablet editions of its magazines. The use of these digital devices as distribution platforms for magazine products may lower the barriers to entry for launching digital magazine products that could compete with Time Inc. s businesses.

Competition for magazine and website advertising revenues is primarily based on advertising rates, the nature and size of the audience (including the circulation and readership of magazines and the number of unique visitors to and page views on websites), audience response to advertisers products and services and the effectiveness of sales teams. Other competitive factors in publishing include product positioning, editorial quality, price and customer service, which impact audience, circulation revenue and advertising revenue. New digital platforms for publishing may impact the way in which Time Inc. competes for consumers with other forms of media. In addition, competition for magazine advertising revenue has intensified in recent years due to challenging economic conditions and the increasing shift in advertising dollars from traditional print to digital media.

Time Inc. s book publishing businesses, marketing services businesses and other marketing businesses compete with other book publishing businesses, marketing services businesses and other marketing businesses, respectively, through all media, including the Internet.

REGULATORY MATTERS

The Company s businesses are subject to and affected by laws and regulations of U.S. federal, state and local governmental authorities, and the Company s international operations are subject to laws and regulations of local countries and international bodies such as the European Union (the EU). The Company s U.S. cable networks and premium pay television services are subject to certain direct and, through their distribution partners, indirect obligations imposed by the Federal Communications Commission (the FCC). The Company s U.S. magazine subscription, direct marketing activities and online and digital businesses are subject to regulation by the Federal Trade Commission (the FTC) and states. The laws, regulations, rules, policies and procedures affecting the Company s businesses 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 initiatives should be read in conjunction with the texts of the respective laws, regulations, inquiries, rulemaking proceedings 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 motion pictures, television programs, magazines, software and books; trademarks in names, logos and characters; patents or patent applications for inventions related to its products and services; and licenses of intellectual property rights of various kinds. The Company derives value from these assets through a range of business models, including the theatrical release of films; the licensing of its films and television programming to multiple domestic and international television networks, premium pay television services, and subscription video on demand services; the sale of products such as DVDs, Blu-ray Discs, magazines (including tablet editions of its magazines), videogames, mobile applications and digital copies of films and television programs; and the operation of websites. It also derives revenues related to its intellectual property through advertising in its magazines (including tablet editions of its magazines), networks, online properties and mobile applications and from various types of other licensing activities, including licensing of its trademarks and characters.

To protect these assets, the Company relies on a combination of copyright, trademark, unfair competition, patent and trade secret laws and contract provisions. The duration of the protection afforded to the Company s intellectual property depends on the type of property in question and the laws and regulations of the relevant jurisdiction. In the U.S., the copyright term for authored works is the life of the author plus 70 years, and for works made for hire , the copyright term is the shorter of 95 years from the first publication or 120 years from creation. Laws also provide protections prohibiting circumvention of technological protection measures and trafficking in circumvention devices to encourage the deployment of digital content. The extent of copyright protection, as well as protections against circumvention of technological protections, varies in different countries.

The Company vigorously pursues all appropriate avenues of protection for its intellectual property. Piracy, particularly in the digital environment, 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 digital piracy, offering 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 appropriate legislative and policy initiatives both in the U.S. and internationally.

In June 2010, the Department of Homeland Security s Immigration and Customs Enforcement Office launched Operation In Our Sites, an initiative aimed at identifying websites that specialize in the online theft of copyrighted content and consumer products and curtailing the market for illegal content on the Internet.

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In October 2008, the Prioritizing Resources and Organization for Intellectual Property Act of 2007 (the PRO-IP Act) was signed into law in the United States. The PRO-IP Act increased both civil and criminal penalties for counterfeiting and piracy of intellectual property associated with works of music and film, among other things; provided enhanced resources to law enforcement agencies for enforcing intellectual property rights; criminalized the export of counterfeit goods; and created the Intellectual Property Enforcement Coordinator, or IPEC, a position that is responsible for coordinating the efforts of various federal agencies to enhance the enforcement of intellectual property laws, such as through increased seizures of infringing goods and criminal prosecution of U.S. website operators engaged in copyright theft and counterfeiting. The IPEC has issued several reports and recommendations to strengthen intellectual property laws and has actively worked with Internet intermediaries to develop best practices to help rights holders fight content theft online.

Outside the United States, laws and regulations relating to intellectual property protection and the effective enforcement of these laws and regulations vary greatly from country to country. However, the volume of actions against websites dedicated to copyright theft is increasing internationally, and certain countries have implemented or are considering programs or remedies designed to address and deter widespread infringement. For example, certain countries have mandated systems of cooperation between rights holders and Internet service providers (ISPs) that require ISPs to notify account holders that their accounts have been used to commit infringing activity, such as illegal file sharing. If the illegal activity continues following additional notices, further steps may be taken to deter further infringement, which may range from educational measures to account suspension and termination. Furthermore, in several countries in the EU, rights holders have also pursued remedies based on the implementation of Article 8.3 of the European Copyright Directive, which obligates member states to ensure that rights holders are in a position to apply for an injunction against intermediaries whose services are being used by a third party to commit infringement.

In addition, judicial, legislative and administrative developments are taking place in certain jurisdictions that may have the impact of limiting the scope or ability to exploit and enforce certain exclusive intellectual property rights outside the United States. For example, in the United Kingdom, the Intellectual Property Office is examining certain aspects of UK copyright laws, which may result in proposals for additional copyright exceptions and limitations. In addition, in October 2011, a decision by the European Court of Justice held in the context of satellite broadcasts of live soccer matches that it was an unlawful restriction on competition to prohibit licensees from distributing satellite decoder cards outside the territory for which the broadcasts were licensed for reception.

In October 2011, Australia, Canada, Japan, the Republic of Korea, Morocco, New Zealand, Singapore and the United States entered into The Anti-Counterfeiting Trade Agreement (ACTA), an alliance of trading partners committed to cooperating in the fight against piracy and counterfeiting. Among other things, ACTA requires border enforcement officials to be empowered to act against both imports and exports of counterfeit and pirated goods; includes new rules on criminal seizure of equipment and materials used in counterfeiting offenses as well as the seizure of criminal proceeds from such offenses; clarifies certain criminal penalties when content theft or counterfeiting is carried out for commercial advantage; and requires the signing parties to address copyright piracy on digital networks, while aiming to preserve principles such as freedom of expression, fair process and privacy.

Regulation Relating to Data Privacy, Data Security and Cybersecurity

The laws and regulations governing data privacy, data security and cybersecurity, which affect all of the Company s businesses, are rapidly evolving and complex, and regulators interest in these issues has been steadily increasing. For example, in September 2011, the FTC proposed to modify and update its regulations implementing the Children s Online Privacy Protection Act (COPPA). COPPA limits the collection of personal information online from children under the age of 13 by operators of websites or online services. If implemented, the FTC s proposed regulations could impose restrictions on the technical operations of children-targeted websites and digital services and on the types of permissible children-targeted marketing. In late 2010, the FTC and the Department of Commerce (DOC) each issued a staff report proposing new frameworks for consumer privacy protection; the FTC report called for federal Do Not Track legislation. The FTC has also increased its enforcement actions against companies that fail to live up to their privacy or data security commitments to consumers. A number of privacy and data security bills have been introduced in Congress that address the

collection, maintenance and use of personal information, web browsing and geolocation data, and establish data security and breach notification requirements. Some state legislatures have adopted legislation that regulates how businesses operate on the Internet, including measures relating to privacy, data security and data breaches. Several Congressional hearings have examined privacy implications for online, offline and mobile data. The DOC recently issued a green paper on cybersecurity, and the White House has proposed cybersecurity legislation.

A number of foreign governments also have either adopted or are considering data privacy and security regulations. For example, the EU is currently reviewing its data privacy directive, which became effective in 1998 and sets baseline standards for the collection, use, disclosure, storage, security and transfer of personal data (collectively referred to as data processing). Among the proposed revisions are new rules that strengthen requirements to obtain explicit consent for data processing; special rules requiring parental consent for collecting children s personal data; data breach obligations for all industry sectors and enhanced remedies for violations of privacy. Different policy options, including new regulations, are being considered at both the EU and member state levels.

Network Regulation

Under the Communications Act of 1934, as amended, and related regulations, U.S. cable networks and premium pay television services are subject to certain direct and, through their distribution partners, indirect obligations that, 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. Various other federal laws also contain provisions that place restrictions on violent and sexually explicit programming and provisions relating to the voluntary promulgation of ratings by the industry.

In December 2010, the FCC adopted net neutrality rules, which took effect on November 20, 2011, that require ISPs to follow certain principles with respect to broadband Internet access service provided to consumers. These principles, with certain exceptions (particularly for wireless ISPs), prohibit ISPs from blocking lawful content, applications, services, or non-harmful devices, and also prohibit unreasonable discrimination in the transmission of lawful network traffic. The FCC has indicated that agreements between an ISP and a third party to favor some network traffic over other network traffic in the Internet access service connection to a subscriber (i.e., pay for priority) may constitute unreasonable discrimination. It is not clear what impact these regulations will have on the increasing use of the Internet to deliver and receive video content. Lawsuits and a petition for reconsideration challenging the FCC s decision have been filed and remain pending.

From time to time, the FCC and other U.S. federal agencies conduct inquiries and rulemaking proceedings, including the following, which could lead to additional regulations that could have a material effect on the Company s Networks businesses:

Disability Access: The FCC has initiated several rulemaking proceedings to implement the 21st Century Communications and Video Accessibility Act of 2010. This law, among other things, extends closed captioning requirements to television programming distributed via Internet Protocol after it is initially aired on broadcast or multichannel television. Under this statute, the FCC has also reinstated the FCC s video description rules for the sight impaired for the top five cable networks with more than 50 hours of non-exempt programming per quarter, including TBS and TNT. The FCC is also considering changes to its television closed captioning rules, including the adoption of quality standards and either eliminating or changing existing exemptions to such rules.

Bundling and Carriage Agreements: In October 2007, the FCC initiated a rulemaking proceeding to examine the use of bundling practices in carriage agreements for both broadcast and satellite cable programming. Turner s networks and the Home Box Office Services are each offered separately and on a bundled basis in the United States. In addition, in August 2011, the FCC initiated a rulemaking proceeding that seeks comment on revisions to its existing program carriage rules. One proposed revision would change the definition of affiliation under these rules to include commercial agreements for carriage of multiple networks, thereby raising questions about bundling practices similar to those in the 2007 FCC rulemaking. As of February 17, 2012, it is unclear what, if any, action the FCC will take in these matters.

Children s Media: In 2009, the FCC initiated an inquiry to broadly survey the state of children s media across multiple platforms and seek comment on existing ratings, advertising, and media literacy efforts. As of February 17, 2012, it is unclear what, if any, action the FCC will take in this matter. The FTC is also studying food and beverage marketing to children and teens. In April 2011, the Interagency Working Group on Food Marketed to Children, which is comprised of the FTC, the Centers for Disease Control, the Food and Drug Administration and the Department of Agriculture, jointly requested comment on proposed nutritional restrictions for food and beverage marketing directed to children. The guidelines are voluntary, but if implemented by food and beverage marketers, they could have a negative effect on the Company s Networks businesses.

Smart Video Devices: The FCC initiated an inquiry in April 2010 to study potential options to spur development of smart video devices that are compatible with all multichannel video programming distributor (MVPD) services and that would be available for consumers to purchase in retail outlets. Under one proposed option, MVPD services would be sent to a universal adapter in a consumer s home. The adapter would enable the consumer to view the content from the MVPD service on a connected smart video device, such as a television or portable device. As of February 17, 2012, it is unclear what, if any, action the FCC will take in this matter.

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, laws providing for minimum percentages of local content on broadcast television and maximum percentages of foreign content, laws and regulations imposing pricing, exclusivity and importing restrictions, editorial control, translation or local editing requirements and other nationality-based restrictions. In these international territories, there are also a number of laws and regulations 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 Office of Communications, the regulator and competition authority for the UK communications industry, has restricted television advertisements for foods and drinks high in fat, salt and sugar in and around programming for children and teens aged 15 years and under. In addition, the EU has issued a directive obligating broadcasters to notify viewers if an audiovisual program contains paid product placement. The directive applies to all programs produced after December 19, 2009, bans any form of product placement in children s programming, prohibits product placement of tobacco products and prescription medication and allows EU member states to adopt more restrictive regimes.

Filmed Entertainment Regulation

In countries outside the United States, there are a variety of laws and regulations relating to the distribution or licensing of motion pictures and television programming, as well as consumer merchandise products. These include copyright laws and regulations, television licensing requirements, trade regulations, laws providing for minimum percentages of local content on broadcast television and maximum percentages of foreign programming and laws that limit increases in prices paid by distributors to content providers and cap the prices distributors charge consumers for certain networks, as well as content providers portion of such retail fees. Other laws and regulations provide for cinema screen and television quotas, contract term limitations, discriminatory taxes and other discriminatory treatment of U.S. products. In addition, there are various international laws and regulations relating to the nature of content and advertising, including laws restricting the amount of advertising permitted on television networks, censorship codes, consumer protection laws (such as those restricting food and beverage marketing to children), and laws requiring governmental approval prior to exhibition.

Marketing Regulation

Time Inc. s U.S. magazine subscription, direct marketing and advertising sales activities, as well as marketing and advertising sales activities by other divisions of the Company, 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 the Telephone

Consumer Protection Act, COPPA, the Gramm-Leach-Bliley Act (relating to financial privacy) and the FTC Mail or Telephone Order Merchandise Rule. Other statutes and rules also regulate conduct in areas such as privacy, data security, product safety and telemarketing. Time Inc. also regularly receives and resolves routine inquiries from state Attorneys General and is subject to agreements with state Attorneys General addressing some of Time Inc. s marketing activities.

In connection with their magazine subscription and marketing activities outside the United States, Time Inc. and the Company s other divisions are subject to many local laws and regulations relating to consumer protection, privacy, data security and electronic marketing, especially across Europe and the Asia Pacific region. In the EU, these laws and regulations include the European Data Protection Directive and the European Directive on Privacy and Electronic Communications. In addition, there are various international codes, directives, laws and regulations relating to the nature of content and advertising, including content restriction laws and consumer protection laws (such as laws restricting food and beverage advertisements aimed at children, laws relating to political advertisements, laws relating to electronic commerce and the marketing of pharmaceutical products and alcoholic beverages).

See Regulation Relating to Data Privacy, Data Security and Cybersecurity above for a discussion of COPPA and regulations relating to privacy and data security.

Postal Regulation

Time Inc. s U.S. magazine subscription business and the Company s direct marketing and book publishing businesses are subject to laws and regulations relating to the U.S. Postal Service. In June 2011, the Postal Reform Act of 2011 was introduced in the House of Representatives, and, in November 2011, The 21st Century Postal Service Act of 2011 was introduced in the U.S. Senate. Both bills provide for various structural reforms of the U.S. Postal Service to restore its financial solvency. If postal reform legislation is enacted, it could result in, among other things, increases in postal rates, local post office closures and the elimination of Saturday mail delivery.

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, 2011 is 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 licensing of theatrical and television product, at December 31, 2011 and December 31, 2010, is set forth in Note 16 to the Company s consolidated financial statements, Commitments and Contingencies Commitments Programming Licensing Backlog.

Item 1A. *Risk Factors.*

RISKS RELATING TO TIME WARNER GENERALLY

The Company must respond to recent and future changes in technology and consumer behavior to remain competitive and continue to increase its revenues. Technology, particularly digital technology used in the entertainment and media industry, continues to evolve rapidly, and advances in that technology have led to alternative methods for the distribution, storage and consumption of digital content. These technological developments have driven and reinforced changes in consumer behavior as consumers seek more control over when, where and how they consume digital content. For example, consumer electronics innovations have enabled consumers to view Internet-delivered content, including films, television programming and magazines, on televisions, computers, tablets, smartphones and other portable electronic devices. These changes in technology and consumer behavior have resulted in a number of challenges and risks for the Company and other content owners and aggregators. For example, technological developments may disrupt traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional network aggregators such as the Company s networks. In addition, the availability of content on multiple

platforms may reduce the value or shorten the lifespan of that content on traditional distribution platforms, including in subsequent distribution windows. The Company s failure to protect the value of its content while adapting to emerging technologies and changes in consumer behavior could have a significant adverse effect on the Company s businesses and results of operations.

Technological developments also pose other challenges for the Company s business segments that could adversely affect its revenues and competitive position. For example, new delivery platforms could lead to the loss of distribution control and direct relationships with consumers for the Publishing segment if distribution on a delivery platform is controlled by a limited number of companies. Furthermore, new technology or business initiatives supported by the Company may not be embraced by consumers, advertisers or others in the media and entertainment industry, and therefore may not develop into profitable business models, which could have a significant adverse effect on the Company s competitive position and its businesses and results of operations.

The Company faces risks relating to increasing competition for the leisure and entertainment time and discretionary spending of consumers, which has intensified in part due to technological developments and changes in consumer behavior. The Company s businesses compete with each other and all other sources of entertainment, news and other information, including television, premium pay television services, films, the Internet, home video products, videogames, social networking sites, sports, print media, live events and radio broadcasts, for consumers leisure and entertainment time and discretionary spending. Technological developments, such as tablets and other portable electronic devices, video-on-demand, new video formats and Internet-delivered content, have increased the number of media and entertainment choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of leisure and entertainment choices available to consumers, including low-cost or free choices, new technologies that allow consumers to make and store digital copies of programming and the increasing availability of programming online, could negatively affect consumer demand for the Company s content, products and services, the prices content aggregators are willing to pay to license the Company s content and advertising rates and demand, which could reduce the Company s revenues and could also result in the Company incurring additional marketing expenses.

The popularity of the Company s content is difficult to predict, can change rapidly and could lead to fluctuations in the Company s revenues, and low public acceptance of the Company s content may adversely affect its results of operations. The production and distribution of films, television programming, videogames, magazines and other content are inherently risky businesses, largely because the revenues derived from the production, distribution and sale or licensing of such content depend primarily on public acceptance, which is difficult to predict. In addition, the Company must invest substantial amounts in the production of feature films, programming for its networks and premium pay television services and the development of videogames before it learns whether these films, programs and products will reach anticipated levels of popularity with consumers. With the theatrical release of the final Harry Potter film in 2011, the Filmed Entertainment segment also faces increasing pressure to develop successful new franchises or build on existing brands by leveraging existing intellectual property, including through the development of sequels. As more television networks and premium pay television services produce and acquire more original programming, the businesses in the Networks segment face increasing pressure to produce and acquire more compelling programming and to optimize their mix of acquired, original and sports programming.

The popularity of the Company s content depends on many factors, only some of which are within the Company s control. Examples include the quality and public acceptance of competing content (including locally produced content) available or released at or near the same time, the availability of alternative forms of leisure and entertainment time activities, the adequacy of efforts to combat piracy, the Company s ability to maintain or develop strong brand awareness and target key audience demographics, the number and success of third-party retail promotional partnerships, and the Company s ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. If the Company is not able to create and distribute content that is popular with consumers and attractive to advertisers and affiliates, the Company s revenues and its results of operations could be adversely affected.

The popularity of the Company s content is reflected in (1) the theatrical performance of the Filmed Entertainment segment s films, (2) the ratings for the television programming produced by the Filmed Entertainment segment and the Networks segment s syndicated, licensed, original and sports programming, (3) sales of the Filmed Entertainment and Networks segments home video releases and the Filmed Entertainment segment s videogames, (4) the number of subscribers to the Networks segment s premium pay television services, (5) the Publishing segment s magazine circulation and (6) the number of unique visitors to the Company s websites. The underperformance of a film, particularly an event film (which typically has high production and marketing costs) or a film that is part of a franchise, can have an adverse impact on the Company s results of operations in both the year of release and in the future. Historically, there has been a correlation between a theatrical film s domestic box office success and international box office success, as well as a correlation between box office success and success in subsequent distribution channels. Consequently, the underperformance of a film at the box office may adversely affect revenues from other distribution channels, such as home entertainment and premium pay television services, and sales of videogames and licensed consumer products based on such film. In addition, due to the decline in the sales of DVDs, the success of a theatrical film is much more dependent on public acceptance at the box office. A decline in the ratings or audience delivery of the television programming produced by the Filmed Entertainment segment or syndicated or originated by Turner can negatively affect subscription revenues, license fees, syndication results, advertising demand and rates and a network s distribution potential. For Home Box Office, a decline in the popularity of its television programming can also negatively affect subscription revenues and content sales as well as the distribution potential of its premium pay television services. For the Publishing segment, a decline in the popularity of its magazines can negatively affect subscription and advertising revenues.

The Company s businesses operate in highly competitive industries, and the failure to compete successfully may have an adverse effect on the Company s businesses or results of operations. The Company s businesses face intense competition from many different sources, including numerous direct competitors and other media, including the Internet and pirated content. Consolidation in the U.S. and international entertainment and media industry has resulted in increased competition for the Company, and consolidation in the future would further intensify competition. In addition, the Networks and Filmed Entertainment segments competitors include industry participants with interests in other multiple media businesses that are vertically integrated. The ability of the Company s businesses to compete successfully depends on many factors, including their ability to provide high-quality, popular content, adapt to technological developments, respond to changes in consumer behavior and achieve widespread distribution, and there can be no assurance that the Company and its businesses will be able to compete successfully in the future against existing or potential competitors.

The Company is exposed to risks associated with weak global economic conditions and increased volatility and disruption in the financial markets. The Company has been adversely affected by weak global economic conditions in the recent past, and it will be adversely affected in the future if such conditions continue. Factors that impact global economic conditions include the level of household formation, the rate of unemployment, the level of consumer confidence and changes in consumer spending habits. The Company also faces risks associated with the impact of weak global economic conditions on third parties, such as advertisers, suppliers, retailers, insurers, theater operators and other parties with which it does business. If these parties file for reorganization under bankruptcy laws or otherwise experience negative effects on their businesses due to volatile or weak global economic conditions, it could reduce the number of outlets for the Company s DVD, Blu-ray Disc and magazine products and otherwise negatively affect the Company s businesses or operating results. Certain of the Company s operations are conducted in foreign currencies, and the value of these currencies fluctuates relative to the U.S. dollar. As a result, the Company is exposed to exchange rate fluctuations, which in the past have had, and in the future could have, an adverse effect on its results of operations in a given period. The foregoing risks could increase significantly if one or more countries in the European Monetary Union stop recognizing the Euro and instead issue national currencies, if there is a break-up of the European Monetary Union or a departure of one or more countries from the Union. Any such developments in Europe could also adversely affect consumer confidence and potentially increase the costs of goods and services in some countries, which would adversely affect the Company s businesses.

Increased volatility and disruptions in the financial markets also could make it more difficult and more expensive for the Company to refinance outstanding indebtedness and obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws or new interpretations or the enforcement of older 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, customers and counterparties, including vendors, retailers and film co-financing partners. For instance, the inability of the Company s counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Company and lead to various negative effects on the Company, including business disruption, decreased revenues, increases in bad debt expenses and, in the case of film co-financing partners, greater risk with respect to the performance of the Company s films.

A decline in advertising expenditures or changes in advertising market conditions or other factors that adversely impact advertising could cause the Company s revenues and operating results to decline. The Company derives substantial revenues from the sale of advertising, and a decrease in advertising expenditures overall or reduced demand for the Company s offerings could lead to a reduction in the amount of advertising companies are willing to purchase from the Company and the price at which they purchase it. Expenditures by advertisers tend to be cyclical, reflecting general economic conditions, as well as budgeting and buying patterns. If the economic prospects of advertisers worsen or the current economic conditions persist or worsen, such conditions could alter current or prospective advertisers spending priorities. For example, corporate marketing cutbacks due to weak economic conditions could result in upfront advertising purchases being cancelled. Declines in consumer spending due to weak economic conditions could also indirectly negatively impact the Company s advertising revenues by causing downward pricing pressure on advertising because advertisers may not perceive as much value from advertising if consumers are purchasing fewer of their products or services.

Other factors in addition to weak economic conditions could adversely affect advertising expenditures. Advertising sales and rates are dependent upon audience size, and advertisers willingness to purchase advertising from the Company may be adversely affected by a decline in audience ratings at the Networks segment or a decline in circulation, magazine readership or average monthly unique visitors at the Publishing segment. If audience levels decline significantly, the Networks segment s networks generally will be required to provide additional advertising units to advertisers to reach agreed upon audience thresholds. This may result in the networks having less inventory available to sell to other advertisers or to use to promote their own programming. Advertising expenditures also could be negatively affected by other factors, such as shifting societal norms, pressure from public interest groups and changes in laws and regulations. In addition, natural disasters (including extreme weather), acts of terrorism, political uncertainty or hostilities could lead to a reduction in advertising expenditures as a result of factors including uninterrupted news coverage and economic uncertainty. Further, technological developments are increasing the number of media and entertainment choices available to consumers and may cause changes in consumer behavior that could negatively affect the attractiveness of the Company s offerings to advertisers. Advertising sales and rates are also dependent on audience measurement and they could be negatively affected by changes in audience measurement methodologies. For example, with the advent of tablet editions of magazines, there could be shifts in how consumers interact with magazines and how the audience for tablet editions of magazines is measured that could negatively impact advertising revenues. The results of audience measurement techniques for network programming used by ratings firms can vary for a variety of reasons, including changes related to the statistical methods employed and new methods of viewing programming (such as on computers and digital devices), which could also have an adverse effect on the Company s advertising revenues.

The Company faces risks relating to doing business internationally that could adversely affect its businesses and operating results. The Company s businesses operate and serve customers worldwide, and the Company is focused on expanding its international operations in key territories, including through acquisitions and other strategic investments. There are risks inherent in doing business internationally, including:

- the requirements of local laws, regulations, industry practices and customs relating to the publication and distribution of content and the display and sale of advertising;
- import or export restrictions and changes in trade regulations;

- issues related to occupational safety and adherence to diverse local labor laws and regulations;
- potentially adverse tax developments;
- political or social unrest;
- the existence in some countries of statutory shareholder minority rights and restrictions on foreign direct ownership;
- the presence of corruption in certain countries;
- the absence of good diplomatic relations between the U.S. and certain countries;
- the potential for government appropriation of the Company s assets;
- exchange controls;
- lack of sufficient protection for intellectual property in a particular country;
- higher than anticipated costs of entry;
- issues related to integrating and managing foreign operations; and
- issues related to managing investments in companies organized or formed under the laws of foreign countries.

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

Piracy of the Company s content may decrease the revenues received from the exploitation of its content and adversely affect its businesses and profitability. The piracy of the Company s content, products and other intellectual property in the U.S. and internationally poses significant challenges for the Company s businesses. Technological developments have made it easier to create, transmit and distribute high quality unauthorized copies of content in unprotected digital formats, which has in turn encouraged the creation of highly scalable businesses that facilitate, and in many instances financially benefit from, such piracy. The proliferation of unauthorized copies and piracy of the Company s content, products and intellectual property or the products it licenses from third parties could result in a reduction of the revenues that the Company receives from the legitimate sale, licensing and distribution of its content and products. Piracy is particularly prevalent in many parts of the world that lack effective copyright and technical legal protections or enforcement measures, and illegitimate operators based in these parts of the world can attract users from anywhere in the world. The Company devotes substantial resources to protecting its content, products and intellectual property, but there can be no assurance that the Company s efforts to enforce its rights and combat piracy will be successful.

The Company s businesses may suffer if it cannot continue to license or enforce the intellectual property rights on which its businesses depend. The Company relies on patent, copyright, trademark and trade secret laws and licenses and other agreements with its employees, customers, suppliers and other parties to establish and maintain its intellectual property rights in content, technology and products and services used to conduct its businesses. However, the Company s intellectual property rights could be challenged or invalidated, it could have difficulty protecting or obtaining such rights or the rights may not be sufficient to permit it to take advantage of business opportunities, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm. The Internet Corporation for Assigned Names and Numbers plans to expand the Internet by accepting applications for unlimited generic top level domains (i.e., the names that appear to the right of the period in domain names, such as .com, .net and .org) in 2012, which could significantly change the structure of the Internet and make it significantly more expensive for the Company to protect its intellectual property on the Internet. Further, the laws of certain countries may not protect the Company s proprietary rights or such laws may not be strictly enforced, and the Company may be unable to protect its intellectual property adequately against unauthorized copying or use in certain countries. In addition, there are legislative and regulatory efforts under review in certain international territories, which, if successful, could reduce the protection for the Company s intellectual property and limit its ability to license its content.

The Company has been, and may be in the future, subject to claims of intellectual property infringement, which could have an adverse impact on the Company s businesses or operating results. Successful challenges to the Company s intellectual property could require the Company to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question. This could require the Company to change its business practices and limit its ability to compete effectively. If the Company is required to take any of these actions, it could have an adverse impact on the Company s businesses or operating results. Even if the Company believes

that the claims of intellectual property infringement are without merit, defending against the claims 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 certain of its suppliers retain the services of writers, directors, actors, athletes, technicians, trade employees and others involved in the development and production of motion pictures, television and digital programming and magazines who are covered by collective bargaining agreements. The collective bargaining agreements with the International Alliance of Theatrical Stage Employees, The International Brotherhood of Teamsters and other trade unions, which represent people involved in the production of theatrical films and television programs, expire on July 31, 2012. If the Company or its suppliers are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take actions in the form of strikes, work slowdowns or work stoppages. Strikes, work slowdowns or work stoppages or the possibility of such actions and attempts to unionize, could cause delays in the production or the release dates of the Company s feature films, television programming and magazines. 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 Company s collective bargaining agreements 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 professional sports leagues for which the Networks segment has the rights to produce and telecast live games or events may preclude the Networks segment from telecasting scheduled games or events, which could have a negative impact on the Networks segment s subscription and advertising revenues. Further, the loss of television programming due to such disputes could negatively impact the segment s promotional and marketing opportunities. Depending on its duration, a labor dispute could have an adverse effect on the Company s businesses or results of operations.

The Company s businesses rely heavily on information technology networks, systems and other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt the Company s businesses, damage its reputation or have a negative impact on its revenues. Because network and information systems and other technologies are critical to many of the Company s operating activities, network or information system shutdowns or service disruptions at the Company or vendors that provide systems or services to the Company pose increasing risks. Such disruptions may be caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), failures or impairments of communications satellites or on ground uplinks or downlinks used to transmit programming, terrorist attacks and similar events. Such events could have an adverse impact on the Company and its customers, including degradation or disruption of service and damage to equipment and data. Significant incidents could result in a disruption of the Company s operations, customer or advertiser dissatisfaction, damage to the Company s reputation or a loss of customers or revenues. Currently, there are a limited number of communications satellites available for the transmission of programming.

The Company and its businesses also could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information technology systems and networks of the Company and its third party vendors, including personnel, customer and vendor confidential data. The Company could be exposed to significant costs if such risks were to materialize, and such events could result in violations of data privacy laws and regulations, damage the reputation and credibility of the Company and its businesses and negatively impact its revenues. The Company also could be required to expend significant amounts of money and other resources to remedy any such security breach or to repair or replace networks or information systems. The Company also could be subject to claims made by consumers in private litigation involving privacy issues related to consumer data collection and use practices, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

Although the Company develops and maintains systems to prevent these events from occurring, the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome 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, outsources more of its information systems to third-party vendors and relies on more cloud-based information and technology systems, the related security risks will increase and the Company will need to expend additional resources to protect its technology and information systems, which could have an adverse effect on 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 federal, state, local and international laws, regulations, inquiries and regulatory proceedings affecting the growth and operation of the Company s businesses. The Company could incur substantial costs to comply with new laws, regulations or policies or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws, regulations or policies 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 that provide protections that the Company relies on in conducting its business, it would subject the Company to greater risk of liability and could increase its costs of compliance or limit its ability to operate certain lines of business.

The Company s shared services initiatives present various risks, including that the Company may not realize the financial and strategic goals relating to the initiatives. The Company has launched multi-year shared services initiatives to deliver certain business support services centrally to the Company s divisions. In connection with the initiatives, the Company may incur greater than anticipated expenses, fail to realize anticipated benefits or have difficulty executing one or more initiatives.

If the AOL Separation or the TWC Separation is determined to be taxable for income tax purposes, Time Warner and/or Time Warner s stockholders who received shares of AOL or TWC in connection with the spin-offs could incur significant income tax liabilities. In connection with the legal and structural separation of AOL Inc. (AOL) from the Company in December 2009 (the AOL Separation), Time Warner received an opinion of counsel confirming that the AOL Separation will not result in the recognition, for U.S. Federal income tax purposes, of gain or loss to Time Warner or its stockholders, except to the extent of cash received in lieu of fractional shares. In connection with the legal and structural separation of Time Warner Cable Inc. (TWC) from the Company in March 2009 (the TWC Separation), 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 stockholders, except to the extent of cash received in lieu of fractional shares. The IRS ruling and the opinions received in connection with these transactions were based on, among other things, certain facts, assumptions, representations and undertakings made by Time Warner and by AOL or TWC, as applicable. If any of these facts, assumptions, representations or undertakings is incorrect or not otherwise satisfied, Time Warner and its stockholders may not be able to rely on the relevant IRS ruling 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 the AOL Separation or the TWC Separation should be treated as a taxable transaction. Under the tax matters agreement that Time Warner entered into with AOL, Time Warner is entitled to indemnification from AOL for taxes resulting from the failure of the AOL Separation to qualify as tax-free (AOL Transaction Taxes) as a result of (i) certain actions or failures to act by AOL or (ii) the failure of certain representations made by AOL to be true. Similarly, under the tax matters agreement that Time Warner entered into with TWC, Time Warner is entitled to indemnification from TWC for taxes resulting from the failure of the TWC Separation to qualify as tax-free (TWC Transaction Taxes and, together with the AOL Transaction Taxes, the Transaction Taxes) as a result of (i) certain actions or failures to act by TWC or (ii) the failure of certain representations made by TWC to be true. However, under these tax matters agreements, if Transaction Taxes are incurred for any other reason, Time Warner would not be entitled to indemnification.

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RISKS RELATING TO TIME WARNER S NETWORKS BUSINESSES

The failure to renew affiliate agreements on favorable terms or the inability to renew affiliate agreements could cause the revenues of the Networks segment to decline in any given period, and further consolidation of multichannel video programming distributors could adversely affect the segment. The Networks segment depends on affiliate agreements with cable system operators, satellite service distributors, telephone companies and other distributors (known as affiliates) for the distribution of its networks and premium pay television services, and there can be no assurance that these affiliate agreements will be renewed in the future on terms that are acceptable to the Networks segment. The inability to renew affiliate agreements or the renewal of affiliate agreements on less favorable terms may adversely affect the segment s results of operations. In addition, the loss of carriage on the most widely penetrated programming tiers, including as a result of an affiliate s creation of lower-priced video packages or tiers that do not include the segment s networks, could reduce the distribution of the segment s programming and adversely affect its advertising and subscription revenues. Further, the reduction of any marketing by affiliates of the Networks segment s premium pay television services could negatively affect the segment s subscription revenues. In addition, consolidation among affiliates has provided them greater negotiating power, and increased vertical integration of such affiliates could adversely affect the segment s ability to maintain or obtain distribution and/or marketing for its networks and premium pay television services on commercially reasonable terms, or at all.

The inability of the Networks segment to license rights to popular programming on acceptable terms could adversely affect the segment s operating results. Turner obtains a significant portion of its programming, such as motion pictures, television series and sports events, from movie studios, television production companies and sports organizations. In addition, Home Box Office has agreements with certain movie studios that provide it with the exclusive rights to exhibit the studios original theatrical films during specified time periods, or windows. Competition for popular programming is intense, and the growing number of content aggregators offering online subscription video services has increased competition for programming. The businesses in the segment may have to increase the price they are willing to pay or be outbid by their competitors for the rights to programming or in connection with the renewal of programming they currently license, and the cost to license such programming may increase due to such competition. The cost may also increase as companies seek window exclusivity rights for acquired programming or the right to exhibit programming on new distribution platforms.

Increases in the costs to produce programming may adversely affect the gross margins at the Networks segment. The Networks segment produces programming and it incurs costs for creative talent, including actors, writers and producers, as well as costs relating to development and marketing. The segment also incurs significant additional costs, such as production and newsgathering costs. The Networks segment plans to continue to produce original programming for its advertising-supported networks to drive consumer demand and growth in subscription and advertising revenue. The segment s failure to generate sufficient revenues to offset increases in the costs of creative talent or in development, marketing, production or newsgathering costs may lead to decreased profits at the segment.

The loss of subscribers could adversely affect the results of operations and future revenue growth at the Networks segment. If the current weak economic conditions such as stagnant household formation and high unemployment rates persist or deteriorate further, or retail video service rates charged by affiliates continue to increase, subscribers may cancel their video service subscriptions, reduce the number of services they subscribe to or elect to subscribe to a lower-priced tier that may not include all of the segment s networks and premium pay television services. In addition, technological developments and changes in consumer behavior, particularly among younger consumers, could result in such consumers choosing not to subscribe to multichannel video services. The Networks segment also faces increasing competition from services that distribute movies, television shows and other video programming directly to consumers, including by means of online services that offer video streaming or other means of distribution. If consumers elect to utilize these services as an alternative to video services provided by affiliates, the segment s networks and premium pay television services may experience declines in subscribers. In addition, if affiliates reduce their promotional efforts associated with the segment s premium pay television services, choose to promote their own movie and television programming or on-demand offerings in lieu of the segment s premium pay television services or change the programming packages that contain the segment s networks and premium pay televisions services, the number of subscribers to

such services could decline. A decrease in the number of an affiliate s subscribers or the number of subscribers to the segment s networks and premium pay television services could result in a decrease in subscription revenues, as well as a decrease in advertising revenues for the segment s advertising-supported networks.

RISKS RELATING TO TIME WARNER S FILMED ENTERTAINMENT BUSINESSES

Sales of DVDs have been declining, which may adversely affect Warner Bros. growth prospects and results of operations. Several factors are contributing to an industry-wide decline in DVD sales both domestically and internationally, which has had an adverse effect on Warner Bros. results of operations. These factors include challenging economic conditions, the maturation of the standard definition DVD format, piracy, intense competition for consumer discretionary spending and leisure and entertainment time and declining price points. Subscription rental (including subscription streaming services) and discount rental kiosks, which generate significantly less revenue for Warner Bros. than DVD sales, have been capturing an increasing share of consumer transactions and consumer discretionary spending, which has adversely affected DVD prices and sales and could adversely affect Warner Bros. ability to increase revenues from the electronic delivery of its films and television programming. In addition, Warner Bros. efforts to offset the decline in DVD sales (e.g., Blu-ray Disc sales, sales of digital copies of films and establishing longer rental windows) and its efforts to make digital ownership of films more compelling to consumers may not be successful or it may be several years before consumers accept these offerings.

A decrease in demand for television programming could adversely affect Warner Bros. revenues. Warner Bros. is a leading supplier of television programming. If there is a decrease in the demand for Warner Bros. television product, it could lead to the launch of fewer new television series and a reduction in the number of original programs ordered by the networks, the per-episode license fees generated by Warner Bros. in the near term and the syndication revenues generated by Warner Bros. in the future. Vertically integrated networks could increase the amount of programming they purchase from production companies with which they are affiliated, driven in part by their desire to have more control over digital rights. In addition, the failure of ratings for the programming to meet expectations and the shift of viewers and advertisers away from network television to other entertainment and information outlets could adversely affect the amount of original programming ordered by networks and the amount they are willing to pay for such programming or could result in a network s cancellation of a program. Local television stations may face loss of viewership and an accompanying loss of advertising revenues as viewers move to other entertainment outlets, which may negatively affect the segment s ability to obtain the per-episode license fees in syndication that it has received in the past. The increasing popularity of local television and theatrical content on television networks in international regions also could result in decreased demand, fewer available broadcast slots, and lower licensing and syndication revenues for U.S. television content in international regions. In addition, the consolidation of pay television content providers in international regions has provided them with greater negotiating power, which may result in lower licensing fees.

Domestic feature film attendance declined in 2011, and, if attendance declines significantly over time and results in reduced box office receipts, Warner Bros. growth prospects and results of operations may be adversely affected. Several factors may have contributed to the decline in feature film attendance in 2011, including industry-wide film selection, alternative entertainment options and general economic conditions.

If the costs of producing and marketing feature films continue to increase, it may be more difficult for a film to generate a profit. The production and marketing of feature films is very expensive and has been increasing in recent years. The trend toward producing more event films including franchise films (which often entail higher talent costs for films later in the series) could result in even higher production costs. If production and marketing costs continue to increase, it may make it more difficult for the segment s films to generate a profit. Also, if film production incentives, such as subsidies and rebates, currently offered in certain U.S. states and international territories (particularly the United Kingdom) are reduced or discontinued, Warner Bros. capital requirements for production would increase.

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RISKS RELATING TO TIME WARNER S PUBLISHING BUSINESS

The Publishing segment s results of operations could be adversely affected as a result of additional increases in postal rates, and its business and results of operations could be negatively affected by other changes in postal service. Postage is a significant operating expense for the Publishing segment. Postal rates, which have increased in recent years, are dependent on the operating efficiency of the U.S. Postal Service and on legislative mandates imposed on the Postal Service. The Postal Service s financial condition continues to deteriorate, and in December 2011, the Postal Service announced plans to close approximately half of its mail processing centers beginning in 2012, which will result in slower delivery of first class mail and periodical mail. Legislation has been introduced in the U.S. House of Representatives and the U.S. Senate to implement various structural reforms of the Postal Service to restore its financial solvency, which could result in additional increases to the rates for periodicals class mail, local post office closures and decreases in or the elimination of Saturday mail delivery. If there are significant increases in postal rates and the Publishing segment is not able to offset the increases, they could have a negative impact on the segment s results of operations. If significant post office and mail processing center closures and mail delivery changes occur, they could adversely affect the segment s business and results of operations.

The Publishing segment could face increased costs and business disruption resulting from instability in the U.S. wholesaler distribution channel. The Publishing segment operates a national distribution business that relies on wholesalers to distribute its magazines to newsstands and other retail outlets. A small number of wholesalers are responsible for a substantial percentage of the wholesale magazine distribution business in the U.S. There is the possibility of consolidation among these major wholesalers and insolvency of or non-payment by one or more of these wholesalers, especially in light of the economic climate and its impact on retailers. Distribution channel disruptions can temporarily impede the Publishing segment s ability to distribute magazines to the retail marketplace, which could, among other things, negatively affect the ability of certain magazines to meet the rate base established with advertisers. Continued disruption in the wholesaler channel, an increase in wholesaler costs or the failure of wholesalers to pay amounts due could adversely affect the Publishing segment s operating income or cash flow.

A significant increase in the price of paper or significant disruptions in the Publishing segment s supply of paper would have an adverse effect on the segment s business and results of operations. Paper represents a significant component of the Publishing segment s total costs to produce magazines. Paper is a commodity, and its price has historically been volatile and may increase as a result of various factors, including:

- a reduction in the number of suppliers as a result of restructurings, bankruptcies and consolidations;
- declining paper supply as a result of paper mill closures; and
- other factors that generally adversely impact supplier profitability, including increases in operating expenses caused by rising raw material and energy costs.

If paper prices increase significantly or the segment experiences significant paper supply channel disruptions, the segment s business and results of operations would be adversely affected.

Item 1B. ***Unresolved Staff Comments.***

Not applicable.

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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, production and warehouse spaces, satellite transmission facilities and data centers in numerous locations in the United States and around the world for its businesses. The Company considers its properties adequate for its present needs. The following table sets forth information as of December 31, 2011 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 One Time Warner Center	Executive and administrative offices, studio and technical space (Corporate HQ and Turner)	1,007,500	Owned by the Company. Approx. 130,000 sq. ft. is leased to an unaffiliated third-party tenant.
New York, NY 75 Rockefeller Plaza Rockefeller Center	Sublet to unaffiliated third-party tenants by Corporate	582,400	Leased by the Company. Lease expires in 2014. Entire building is sublet by the Company to unaffiliated third-party tenants.
Hong Kong 979 King s Rd. Oxford House	Executive and administrative offices (Corporate, Turner, Warner Bros. and Time Inc.)	133,000 [(a)]	Leased by the Company. Lease expires in 2012.
Atlanta, GA One CNN Center	Executive and administrative offices, studios, technical space and retail (Turner)	1,280,000	Owned by the Company. Approx. 71,000 sq. ft. is leased to unaffiliated third-party tenants.
Atlanta, GA 1050 Techwood Dr.	Business offices and studios (Turner)	1,170,000	Owned by the Company.
Santiago, Chile Pedro Montt 2354	Business offices and studios (Turner)	592,000	Owned by the Company.
Buenos Aires, Argentina 599 & 533 Defensa St.	Executive and administrative offices, studios and technical space (Turner)	129,000	Owned by the Company.
Santiago, Chile Ines Matte Urrejola #0890 Provencia Central	Business offices and studios (Turner)	108,000	Owned by the Company.
Washington, DC 820 First St.	Executive and administrative offices, studios and technical space (Turner)	102,000	Leased by the Company. Lease expires in 2020.
London, England 16 Great Marlborough St. Turner House	Executive and administrative offices (Turner)	100,000	Leased by the Company. Lease expires in 2014.
Los Angeles, CA 6430 Sunset Blvd.	Executive and administrative offices, studios and technical space (Turner)	37,000	Leased by the Company. Lease expires in 2022.
New York, NY	Executive and business offices (HBO)	673,000	

1100 and 1114 Ave. of the Americas			Leased by the Company under two leases expiring in 2018.
Santa Monica, CA 2500 Broadway	Executive and business offices (HBO)	128,000	Leased by the Company. Lease expires in 2019.

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Location	Principal Use	Approximate Square Feet Floor Space	Type of Ownership; Expiration Date of Lease
Hauppauge, NY 300 New Highway	Communications center and production facility (HBO)	115,000	Owned by the Company.
New York, NY 120A East 23rd Street	Business and administrative offices, production studios and technical space (HBO)	82,000	Leased by the Company. Lease expires in 2018.
Burbank, CA The Warner Bros. Studio	Executive and administrative offices, sound stages, administrative, technical and dressing room structures, screening theaters, machinery and equipment facilities, back lot and parking lot/structures and other Burbank properties (Warner Bros.)	4,677,000 (b)	Owned by the Company.
Leavesden, UK Leavesden Studios	Sound stages, administrative, technical and dressing room structures, machinery and equipment facilities, back lot and parking lots (Warner Bros.)	489,000	Owned by the Company.
Burbank, CA 3400 Riverside Dr.	Executive and administrative offices (Warner Bros.)	421,000	Leased by the Company. Lease expires in 2019.
Burbank, CA 3300 W. Olive Ave.	Executive and administrative offices (Warner Bros.)	231,000	Leased by the Company. Lease expires in 2021.
London, England 98 Theobald Rd.	Executive and administrative offices (Warner Bros.)	133,000	Leased by the Company. Lease expires in 2014.
New York, NY Time & Life Building Rockefeller Center	Executive, business and editorial offices (Time Inc.)	2,200,000	Leased by the Company. Lease expires in 2017. Approx. 432,000 sq. ft. is sublet to unaffiliated third-party tenants.
London, England Blue Fin Building 110 Southwark St.	Executive and administrative offices (Time Inc.)	499,000	Owned by the Company. Approx. 137,000 sq. ft. is leased to unaffiliated third-party tenants.
Birmingham, AL 2100 Lakeshore Dr.	Executive and administrative offices (Time Inc.)	398,000	Owned by the Company.
New York, NY 135 West 50th Street	Business and editorial offices (Time Inc.)	240,000	Leased by the Company. Lease expires in 2017. Approx. 5,200 sq. ft. is sublet to unaffiliated third-party tenants.
Parsippany, NJ 260 Cherry Hill Road	Business offices (Corporate and Time Inc.)	132,000	Owned by the Company.
Tampa, FL One North Dale Mabry Highway	Business offices (Time Inc.)	69,900	Leased by the Company. Lease expires in 2020.

(a) In August 2011, the Company renewed the lease, effective April 1, 2012. Under the terms of the renewed lease, the Company will lease approximately 122,000 square feet of space, and the lease will expire in 2018.

(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 seeks an accounting and demands up to one-half of the profits made on Superman since the alleged April 16, 1999 termination by plaintiffs of Siegel s grants of one-half of the rights to the Superman character to DC Comics predecessor-in-interest. Plaintiffs have also asserted various Lanham Act and unfair competition claims, alleging wasting of the Superman property by DC Comics, and the Company has filed counterclaims. On March 26, 2008, the court entered an order of summary judgment finding, among other things, that plaintiffs notices of termination were valid and that plaintiffs had thereby recaptured, as of April 16, 1999, their rights to a one-half interest in the Superman story material, as first published, but that the accounting for profits would not include profits attributable to foreign exploitation, republication of pre-termination works and trademark exploitation. On October 6, 2008, the court dismissed plaintiffs Lanham Act and wasting claims with prejudice, and subsequently determined that the remaining claims in the case will be subject to phased non-jury trials. On July 8, 2009, the court issued a decision in the first phase trial in favor of the defendants on the issue of whether the terms of various license agreements between DC Comics and Warner Bros. Entertainment Inc. were at fair market value or constituted sweetheart deals. On May 17, 2011, the court certified certain liability issues for interlocutory appeal and stayed proceedings pending that appeal.

On October 22, 2004, the same Siegel heirs filed a related lawsuit against the same defendants, as well as Warner Communications Inc. and Warner Bros. Television Production Inc. in the U.S. District Court for the Central District of California. Plaintiffs claim 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 the alleged October 17, 2004 termination by plaintiffs of Siegel s grants of rights to the Superboy character to DC Comics predecessor-in-interest. This lawsuit seeks a declaration regarding the validity of the alleged termination and an injunction against future use of the Superboy character. On March 23, 2006, the court granted plaintiffs motion for partial summary judgment on termination, denied the Company s motion for summary judgment and held that further proceedings are necessary to determine whether the Company s *Smallville* television series may infringe on plaintiffs rights to the Superboy character. On July 27, 2007, upon the Company s motion for reconsideration, the court reversed the bulk of its March 23, 2006 ruling, and requested additional briefing on certain issues, on which a decision remains pending.

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 asserts a claim for declaratory relief concerning the validity and scope of the copyright termination notice served by the Shuster heirs, which, together with the termination notices served by the Siegel heirs described above, purports to preclude DC Comics from creating new Superman and/or Superboy works for distribution and sale in the United States after October 26, 2013. The lawsuit also seeks declaratory relief with respect to, inter alia, the validity of various agreements between Mr. Toberoff, his companies and the Shuster and Siegel heirs, and asserts 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 seeks monetary damages. On September 3, 2010, DC Comics filed an amended complaint and on September 20, 2010, defendants filed motions to strike certain causes of action and dismiss the amended complaint under California and federal laws. Defendants motion to strike certain causes of action was denied on October 25, 2011, and defendants withdrew their motion to dismiss on November 3, 2011.

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 issued a non-binding recommended decision, finding CNN America liable. On February 17, 2009, CNN America filed exceptions to this decision with the NLRB.

On September 20, 2007, *Brantley, et al. v. NBC Universal, Inc., et al.* was filed in the U.S. District Court for the Central District of California against the Company and several other programming content providers (collectively, the programmer defendants) as well as cable and satellite providers (collectively, the distributor defendants), alleging violations of the federal antitrust laws. Among other things, the complaint alleged coordination between and among the programmer defendants to sell and/or license programming on a bundled basis to the distributor defendants, who in turn purportedly offer that programming to subscribers in packaged tiers, rather than on a per channel (or à la carte) basis. In an order dated October 15, 2009, the court dismissed the third amended complaint with prejudice. On October 30, 2009, plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Ninth Circuit. On June 3, 2011, the U.S. Court of Appeals for the Ninth Circuit affirmed the district court s dismissal of the lawsuit, and, on July 7, 2011, plaintiffs filed a petition for a rehearing en banc. On September 21, 2011, one of the judges on the original panel passed away, and on October 31, 2011, the U.S. Court of Appeals for the Ninth Circuit withdrew its June 3, 2011 decision, directed the clerk to reconstitute the panel by drawing a third judge and denied the petition for rehearing as moot.

On March 10, 2009, Anderson News L.L.C. and Anderson Services L.L.C. (collectively, Anderson News) filed an antitrust lawsuit in the U.S. District Court for the Southern District of New York against several magazine publishers, distributors and wholesalers, including Time Inc. and one of its subsidiaries, Time/Warner Retail Sales & Marketing, Inc. Plaintiffs allege that defendants violated Section 1 of the Sherman Antitrust Act by engaging in an antitrust conspiracy against Anderson News, as well as other related state law claims. Plaintiffs are seeking unspecified monetary damages. On August 2, 2010, the court granted defendants motions to dismiss the complaint with prejudice and, on October 25, 2010, the court denied Anderson News motion for reconsideration of that dismissal. On November 8, 2010, Anderson News filed a notice of appeal with the U.S. Court of Appeals for the Second Circuit.

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 $80 million at December 31, 2011. 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 Disclosure.***

Not applicable.

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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.

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 15, 2012.

Name	Age	Office
Jeffrey L. Bewkes	59	Chairman and Chief Executive Officer
John K. Martin, Jr.	44	Chief Financial and Administrative Officer
Paul T. Cappuccio	50	Executive Vice President and General Counsel
Gary Ginsberg	49	Executive Vice President, Corporate Marketing and Communications
Carol A. Melton	57	Executive Vice President, Global Public Policy
Olaf Olafsson	49	Executive Vice President, International and 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. Martin	Chief Financial and Administrative Officer since May 2011; prior to that, Mr. Martin served as Executive Vice President, Chief Financial and Administrative Officer from January 2011 to May 2011; prior to that, Mr. Martin served as Executive Vice President and Chief Financial Officer from January 2008 to January 2011. Mr. Martin served as Executive Vice President and Chief Financial Officer of TWC from August 2005 to January 2008. Mr. Martin joined TWC from Time Warner where he had served as Senior Vice President of Investor Relations from May 2004 and Vice President of Investor Relations from March 2002 to May 2004. Prior to that, Mr. Martin was Director in the Equity Research group of ABN AMRO Securities LLC from 2000 to 2002, and Vice President of Investor Relations at Time Warner from 1999 to 2000. Mr. Martin first joined the Company in 1993 as a Manager of SEC financial reporting.
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 and 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. 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 as Washington Counsel to Warner Communications Inc. after serving as Legal Advisor to the Chairman of the FCC from 1986 to 1987.
Mr. Olafsson	Executive Vice President, International and 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, 2011, see Quarterly Financial Information at page 137 herein, which information is incorporated herein by reference. The number of holders of record of the Company s Common Stock as of February 17, 2012 was approximately 25,700.

The Company paid a cash dividend of $0.2125 per share in each quarter of 2010 and a cash dividend of $0.235 per share in each quarter of 2011.

On February 7, 2012, the Company s Board of Directors approved an increase in the quarterly cash dividend to $0.26 per share and declared the next regular quarterly cash dividend to be paid on March 15, 2012 to stockholders of record on February 29, 2012. The Company currently expects to continue to pay comparable cash dividends in the future; however, changes in the Company s dividend program 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.

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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 during the quarter ended December 31, 2011.

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[(3)]
October 1, 2011 - October 31, 2011	18,658,981	$ 32.85	18,658,981	$ 1,228,540,392
November 1, 2011 - November 30, 2011	14,480,189	$ 33.88	14,480,189	$ 737,970,306
December 1, 2011 - December 31, 2011	10,209,266	$ 34.66	10,209,266	$ 384,154,911
Total	43,348,436	$ 33.62	43,348,436	$ 384,154,911

(1) The calculation of the average price paid per share does not give effect to any fees, commissions or other costs associated with the share repurchases.

(2) On February 2, 2011, the Company announced that its Board of Directors had authorized an increase to $5.0 billion in share repurchases beginning January 1, 2011, from the approximately $1.0 billion remaining at December 31, 2010 under the prior $3.0 billion authorization. On February 8, 2012, the Company announced that its Board of Directors had authorized a new $4.0 billion for share repurchases. Purchases under the stock repurchase programs 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 Common Stock pursuant to trading programs under Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended, and it may repurchase shares of Common Stock under such trading programs in the future.

(3) This amount does not reflect the fees, commissions and other costs associated with the share repurchases or the authorization of a new $4.0 billion for share repurchases announced in February 2012.

Item 6. ***Selected Financial Data.***

The selected financial information of the Company for the five years ended December 31, 2011 is set forth at page 136 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 43 through 76 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 72 through 74 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 77 through 132, 138 through 146 and 134 herein, respectively, are incorporated herein by reference.

Quarterly Financial Information set forth at page 137 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 133 and 135 herein are incorporated herein by reference.

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, 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. ***Other Information.***

Not applicable.

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 2012 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 *www.timewarner.com/corp/corp_governance/governance_conduct.html*. 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.

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Equity Compensation Plan Information

The following table summarizes information as of December 31, 2011 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[3] (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[3] (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))[4] (c)
Equity compensation plans approved by security holders[1]	101,413,831	$ 32.77	56,111,419
Equity compensation plans not approved by security holders[2]	17,686,311	$ 44.36	0
Total[3]	119,100,142	$ 34.80	56,111,419

(1) Equity compensation plans approved by security holders are the (i) Time Warner Inc. 2010 Stock Incentive Plan (will expire on August 15, 2014), (ii) Time Warner Inc. 2006 Stock Incentive Plan (terminated effective September 16, 2010), (iii) Time Warner Inc. 2003 Stock Incentive Plan (expired on May 16, 2008), (iv) Time Warner Inc. 1999 Stock Plan (expired on October 28, 2009) and (v) 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, 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 on June 23, 2000 (the AOL-Historic TW Merger).

(2) The AOL Time Warner Inc. 1994 Stock Option Plan (expired on November 18, 2003) (the 1994 Plan) is the only equity compensation plan not approved by security holders.

(3) Column (a) includes 16,617,487 shares of Common Stock underlying outstanding restricted stock units (RSUs) and 1,368,818 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).

(4) Of the shares available for future issuance under the Time Warner Inc. 2010 Stock Incentive Plan, a maximum of 22,550,315 shares may be issued in connection with awards of restricted stock, RSUs or PSUs as of December 31, 2011.

The 1994 Plan was assumed by the Company in connection with the AOL-Historic TW Merger. The 1994 Plan expired on November 18, 2003. Prior to the expiration of the 1994 Plan, nonqualified stock options and related stock appreciation rights could be granted under the plan to employees (other than executive officers) of and consultants and advisors to the Company and certain of its subsidiaries. Only stock options are currently outstanding under the 1994 Plan. Under the 1994 Plan, the exercise price of a stock option may not be less than the fair market value of the Common Stock on the date of grant. The definition of fair market value was amended effective October 1, 2008 to mean the closing sale price of shares of Common Stock as reported on the NYSE Composite Tape (rather than the average of the high and low sales prices of the Common Stock on the NYSE). The change did not affect the exercise price of outstanding stock options under the 1994 Plan, but the new definition is used to calculate the gain realized upon the exercise of stock options issued under the plan. The outstanding stock options under the 1994 Plan generally became exercisable in installments of one-quarter on each of the first four anniversaries of the date of grant, subject to earlier vesting upon termination of employment due to death, disability or retirement, and expire 10 years from the grant date. Holders of stock options awarded under the 1994 Plan do not receive dividends or dividend equivalents on the stock options.

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 42 herein is incorporated herein by reference. Such consolidated financial statements and schedules are filed as part of this report.

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(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/ John K. Martin, Jr.
Name: John K. Martin, Jr.
Title: Chief Financial and Administrative Officer

Date: February 24, 2012

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
/s/ Jeffrey L. Bewkes **Jeffrey L. Bewkes**	Director, Chairman of the Board and Chief Executive Officer (principal executive officer)	February 24, 2012
/s/ John K. Martin, Jr. **John K. Martin, Jr.**	Chief Financial and Administrative Officer (principal financial officer)	February 24, 2012
/s/ Pascal Desroches **Pascal Desroches**	Senior Vice President and Controller (principal accounting officer)	February 24, 2012
/s/ James L. Barksdale **James L. Barksdale**	Director	February 24, 2012
/s/ William P. Barr **William P. Barr**	Director	February 24, 2012
/s/ Stephen F. Bollenbach **Stephen F. Bollenbach**	Director	February 24, 2012
/s/ Frank J. Caufield	Director	February 24, 2012

Frank J. Caufield		
/s/ Robert C. Clark	Director	February 24, 2012
Robert C. Clark		
/s/ Mathias Döpfner	Director	February 24, 2012
Mathias Döpfner		
/s/ Jessica P. Einhorn	Director	February 24, 2012
Jessica P. Einhorn		
/s/ Fred Hassan	Director	February 24, 2012
Fred Hassan		

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Signature	Title	Date
/s/ Michael A. Miles	Director	February 24, 2012
Michael A. Miles		
/s/ Kenneth J. Novack	Director	February 24, 2012
Kenneth J. Novack		
/s/ Paul D. Wachter	Director	February 24, 2012
Paul D. Wachter		
/s/ Deborah C. Wright	Director	February 24, 2012
Deborah C. Wright		

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TIME WARNER INC.

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AND OTHER FINANCIAL INFORMATION

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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 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, 2011. 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, 2011, as well as a discussion of the Company s outstanding debt and commitments that existed as of December 31, 2011. Included in the analysis of outstanding debt is a discussion of the amount of financial capacity available to fund the Company s 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 require estimates on the part of management in application. The Company s significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 1 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.

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, CNN, HBO, Cinemax, Warner Bros., New Line Cinema, *People*, *Sports Illustrated* and *Time*. During the year ended December 31, 2011, the Company generated Revenues of $28.974 billion (up 8% from $26.888 billion in 2010), Operating Income of $5.805 billion (up 7% from $5.428 billion in 2010), Net Income attributable to Time Warner shareholders of $2.886 billion (up 12% from $2.578 billion in 2010) and Cash Provided by Operations from Continuing Operations of $3.448 billion (up 4% from $3.314 billion in 2010).

Time Warner Businesses

Time Warner classifies its operations into three reportable segments: Networks, Filmed Entertainment and Publishing. For additional information regarding Time Warner s segments, refer to Note 15, Segment Information, in the accompanying consolidated financial statements.

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TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Networks. Time Warner s Networks segment consists of Turner Broadcasting System, Inc. (Turner) and Home Box Office, Inc. (Home Box Office). During the year ended December 31, 2011, the Networks segment generated Revenues of $13.654 billion (47% of the Company s total Revenues) and $4.416 billion in Operating Income.

Turner operates domestic and international networks, including such recognized brands as TNT, TBS, truTV, CNN and Cartoon Network, which are among the leaders in advertising-supported television networks. The Turner networks generate revenues principally from providing programming to affiliates that have contracted to receive and distribute this programming and from the sale of advertising. Turner also operates various websites, including *CartoonNetwork.com*, *CNN.com*, *NASCAR.com* and *NCAA.com* that generate revenues principally from the sale of advertising. In 2011, Turner continued to expand its online and mobile offerings for on demand viewing of programs on its networks and live streaming of its CNN and HLN networks to authenticated subscribers.

Turner has a multi-year arrangement with the National Basketball Association (the NBA) to televise NBA games on Turner s TNT network. On June 30, 2011, the collective bargaining agreement between the NBA and the National Basketball Players Association (the Players Association) expired, and on July 1, 2011 the NBA announced a lockout of the players the (NBA Lockout), which resulted in the cancellation of the start of the NBA 2011-2012 season games. On December 8, 2011, the NBA announced that the NBA Board of Governors and the Players Association had ratified a new collective bargaining agreement, which ended the NBA Lockout, and a shortened 2011-2012 66-game regular season began on December 25, 2011. For the year ended December 31, 2011, the NBA Lockout did not have a material impact on the Networks segment s operating results.

Home Box Office operates the HBO and Cinemax multi-channel premium pay television services, with the HBO service ranking as the most widely distributed domestic multi-channel premium pay television service. Home Box Office generates revenues principally from providing programming to affiliates that have contracted to receive and distribute such programming to their customers who choose to subscribe to the HBO or Cinemax services. An additional source of revenues for Home Box Office is the sale and licensing of its original programming, including *True Blood*, *The Pacific*, *Sex and the City* and *Entourage*. In 2010, Home Box Office launched authenticated online video offerings of HBO and Cinemax by rolling out HBO GO and MAX GO for broadband connected computers. In the second and third quarters of 2011, Home Box Office made available HBO GO and MAX GO, respectively, on mobile devices, including the iPad, iPhone, iPod touch and Android smart phones.

The Company s Networks segment has been pursuing international expansion in select areas for the past several years. During the first quarter of 2011, Home Box Office purchased an additional 8% equity interest in HBO Latin America Group, consisting of HBO Brazil, HBO Olé and HBO Latin America Production Services (collectively, HBO LAG), for $65 million, resulting in Home Box Office owning 88% of the equity interests in HBO LAG. The investment in HBO LAG is accounted for under the equity method of accounting because control of the entity is shared with the remaining minority partner. The Company anticipates that international expansion will continue to be an area of focus at the Networks segment for the foreseeable future.

Filmed Entertainment. Time Warner s Filmed Entertainment segment consists of businesses managed by the Warner Bros. Entertainment Group (Warner Bros.) that principally produce and distribute theatrical motion pictures as well as television shows and videogames. During the year ended December 31, 2011, the Filmed Entertainment segment generated Revenues of $12.638 billion (41% of the Company s total Revenues) and $1.263 billion in Operating Income.

The Filmed Entertainment segment s theatrical product revenues are generated principally through rentals from theatrical exhibition of films, including the following films released in 2011: *Harry Potter and the Deathly Hallows: Part 2*, *The Hangover Part II*, *Horrible Bosses* and *Sherlock Holmes: A Game of Shadows*, and subsequently through licensing fees received for the distribution of films on television networks and pay television

TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

programming services. Television product revenues are generated principally from the licensing of the Filmed Entertainment segment s programs to television networks and pay television programming services. The segment also generates revenues for both its theatrical and television product through home video distribution on DVD and Blu-ray Discs and in various digital formats (e.g., electronic sell through and video-on-demand). In addition, the segment generates revenues through the development and distribution of videogames.

Warner Bros. continues to be an industry leader in the television content business. For the 2011-2012 broadcast season, Warner Bros. produced more than 30 scripted primetime series, with at least three series for each of the five broadcast networks (including *The Big Bang Theory*, *2 Broke Girls*, *Fringe*, *Harry s Law*, *The Mentalist*, *The Middle*, *Mike & Molly*, *Person of Interest*, *Suburgatory*, *Two and a Half Men* and *Vampire Diaries*) and original series for several cable television networks (including *The Closer*, *Pretty Little Liars*, *Rizzoli & Isles* and *Southland*). Internationally, Warner Bros. has formed a group of local television production companies in key territories with a focus on developing non-scripted programs and formats that can be sold internationally and adapted for sale in the U.S. Warner Bros. has also begun to create locally produced versions of programs owned by the studio and to develop original local television programming.

The distribution of DVDs has been one of the largest drivers of the segment s revenues and profits over the last several years. However, in recent years, home video revenues have declined as a result of several factors, including consumers shifting to subscription rental services and discount rental kiosks, which generate significantly less revenue per transaction for the Company than DVD sales, the general economic downturn in the U.S. and many regions around the world, increasing competition for consumer discretionary time and spending, piracy, and the maturation of the standard definition DVD format. Reduced consumer spending on DVDs is being partially offset by growing sales of high definition Blu-ray Discs and increased sales through electronic delivery (particularly video-on-demand) which have higher incremental gross margins than standard definition DVDs. The decline in consumer spending on DVDs is also being partially offset by the licensing of theatrical and television content to subscription video-on-demand providers.

Publishing. Time Warner s Publishing segment consists principally of Time Inc. s magazine publishing and related websites, book publishing businesses, marketing services businesses and other marketing businesses. During the year ended December 31, 2011, the Publishing segment generated Revenues of $3.677 billion (12% of the Company s total Revenues) and $563 million in Operating Income.

As of December 31, 2011, Time Inc. published 21 magazines in the U.S., including *People*, *Sports Illustrated* and *Time*, and over 70 magazines outside the U.S. All 21 of Time Inc. s U.S. magazines were available as tablet editions as of December 31, 2011. The Publishing segment generates revenues primarily from the sale of advertising, magazine subscriptions and newsstand sales.

In January 2012, the Publishing segment negotiated a binding sale and sold the school fundraising business, QSP, which offers fundraising programs that help schools and youth groups raise money through the sale of subscriptions to Time Inc. s and other publishers magazines, among other products. In connection with this sale, the Publishing segment expects to incur a pretax loss of approximately $40 million to $50 million in the first quarter of 2012.

Recent Developments

2011 Debt Offerings

On April 1, 2011, Time Warner issued $2.0 billion aggregate principal amount of debt securities from its shelf registration statement. On October 17, 2011, Time Warner issued $1.0 billion aggregate principal amount of debt securities from its shelf registration statement. See Financial Condition and Liquidity Outstanding Debt and Other Financing Arrangements for more information.

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TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Revolving Bank Credit Facilities

On September 27, 2011, Time Warner amended its $5.0 billion senior unsecured credit facilities, which had consisted of a $2.5 billion three-year revolving credit facility and a $2.5 billion five-year revolving credit facility. The amendment changed the $2.5 billion three-year revolving credit facility to a $2.5 billion four-year revolving credit facility with a maturity date of September 27, 2015 (the Four Year Revolving Credit Facility) and extended the maturity date of the $2.5 billion five-year revolving credit facility from January 19, 2016 to September 27, 2016 (the Five Year Revolving Credit Facility and, together with the Four Year Revolving Credit Facility, the Revolving Credit Facilities). The amendment also reduced interest rates and facility fees and eliminated the reference to the percentage of commitments used under the Revolving Credit Facilities for the purpose of calculating the interest rate on borrowings under the Revolving Credit Facilities. See Financial Condition and Liquidity Outstanding Debt and Other Financing Arrangements for more information.

Common Stock Repurchase Program

On January 31, 2012, the Company s Board of Directors authorized a new $4.0 billion stock repurchase program. See Financial Condition and Liquidity Current Financial Condition for more information.

RESULTS OF OPERATIONS

Recent Accounting Guidance

See Note 1 to the accompanying consolidated financial statements for a discussion of recent accounting guidance adopted.

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 has been affected by transactions and certain other items in each period as follows (millions):

	Year Ended December 31,		
	2011	2010	2009
Asset impairments	$ (44)	$ (20)	$ (85)
Gain (loss) on operating assets	7	70	(33)
Other	(22)	(22)	(30)
Impact on Operating Income	(59)	28	(148)
Investment gains (losses), net	(168)	32	(21)
Amounts related to the separation of Time Warner Cable Inc.	(5)	(6)	14
Costs related to the separation of AOL Inc.			(15)
Premiums paid and transaction costs incurred in connection with debt redemptions		(364)	
Pretax impact[(a)]	(232)	(310)	(170)
Income tax impact of above items	43	131	37
Tax items related to Time Warner Cable Inc.			24
After-tax impact	(189)	(179)	(109)
Noncontrolling interest impact			5

Impact of items on income from continuing operations attributable to Time Warner Inc. shareholders	$ (189)	$ (179)	$ (104)

[a] For the years ended December 31, 2010 and 2009, pretax impact amount does not include $23 million and $2 million, respectively, of external costs related to mergers, acquisitions or dispositions.

TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

In addition to the items affecting comparability described above, the Company incurred Restructuring and severance costs of $113 million, $97 million and $212 million for the years ended December 31, 2011, 2010 and 2009, respectively. During the year ended December 31, 2010, the Company also recognized a $58 million reserve reversal in connection with the resolution of litigation related to the sale of the Atlanta Hawks and Thrashers sports franchises and certain operating rights to the Philips Arena (the Winter Sports Teams). For further discussion of Restructuring and severance costs, refer to Consolidated Results and Business Segment Results.

Asset Impairments

During the year ended December 31, 2011, the Company recorded noncash impairments of $6 million at the Networks segment primarily related to a tradename impairment, $21 million at the Filmed Entertainment segment of which $12 million related to capitalized software costs and $17 million at the Publishing segment of which $11 million related to a tradename impairment.

During the year ended December 31, 2010, the Company recorded noncash impairments of $9 million at the Filmed Entertainment segment related to the termination of a videogames licensing relationship and $11 million at the Publishing segment related to certain intangible assets.

During the year ended December 31, 2009, the Company recorded noncash impairments of $52 million at the Networks segment related to Turner s interest in a general entertainment network in India and $33 million at the Publishing segment related to certain fixed assets in connection with the Publishing segment s restructuring activities.

Gain (Loss) on Operating Assets

For the year ended December 31, 2011, the Company recognized net gains on operating assets of $7 million, including noncash income of $9 million at the Filmed Entertainment segment related to a fair value adjustment on certain contingent consideration arrangements relating to acquisitions.

For the year ended December 31, 2010, the Company recognized a $59 million gain at the Networks segment upon the acquisition of the controlling interest in HBO Central Europe (HBO CE), reflecting the recognition of the excess of the fair value over the Company s carrying costs of its original investment in HBO CE. For the year ended December 31, 2010, the Company also recorded noncash income of $11 million at the Filmed Entertainment segment related to a fair value adjustment on certain contingent consideration arrangements relating to acquisitions.

For the year ended December 31, 2009, the Company recognized a $33 million loss at the Filmed Entertainment segment on the sale of Warner Bros. Italian cinema assets.

Other

Other reflects legal and other professional fees related to the defense of securities litigation matters for former employees totaling $8 million, $22 million and $30 million for the years ended December 31, 2011, 2010 and 2009, respectively. Other also reflects external costs related to mergers, acquisitions or dispositions of $14 million for the year ended December 31, 2011.

Investment Gains (Losses), Net

For the year ended December 31, 2011, the Company recognized net investment losses of $168 million, including a $163 million noncash impairment related to the Company s investment in Central European Media Enterprises Ltd. (CME).

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TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

For the year ended December 31, 2010, the Company recognized net investment gains of $32 million, including $13 million of miscellaneous investment gains, net, and noncash income of $19 million related to fair value adjustments on certain options to redeem securities.

For the year ended December 31, 2009, the Company recognized net investment losses of $21 million, including a $23 million impairment of the Company s investment in Miditech Pvt. Limited, a programming production company in India, and $43 million of other miscellaneous investment losses, net, partially offset by a $28 million gain on the sale of the Company s investment in TiVo Inc. and a $17 million gain on the sale of the Company s investment in Eidos plc.

Amounts Related to the Separation of Time Warner Cable Inc.

For the year ended December 31, 2011, the Company recognized $4 million of other income 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 and $9 million of other loss related to changes in the value of a TWC tax indemnification receivable.

For the year ended December 31, 2010, the Company recognized $6 million of other loss related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by TWC employees.

For the year ended December 31, 2009, the Company recognized $20 million of other income related to the increase in the estimated fair value of Time Warner equity awards held by TWC employees. In addition, the Company incurred pretax direct transaction costs, primarily legal and professional fees, related to the separation of TWC of $6 million for the year ended December 31, 2009.

Costs Related to the Separation of AOL Inc.

For the year ended December 31, 2009, the Company incurred $15 million of costs related to the separation of AOL Inc. (AOL), which have been recorded in Other loss, net in the accompanying Consolidated Statement of Operations. These costs were related to the solicitation of consents from debt holders to amend the indentures governing certain of the Company s debt securities.

Premiums Paid and Transaction Costs Incurred in Connection with Debt Redemptions

For the year ended December 31, 2010, the Company recognized $364 million of premiums paid and transaction costs incurred in connection with debt redemptions, which were recorded in Other loss, net in the accompanying Consolidated Statement of Operations. During the year ended December 31, 2010, the Company repurchased and redeemed all $1.0 billion aggregate principal amount of the 6.75% Notes due 2011 of Time Warner, all $1.0 billion aggregate principal amount of the 5.50% Notes due 2011 of Time Warner, $1.362 billion aggregate principal amount of outstanding 6.875% Notes due 2012 of Time Warner and $568 million aggregate principal amount of outstanding 9.125% Debentures due 2013 of Historic TW Inc. (Historic TW) (as successor by merger to Time Warner Companies, Inc.).

Income Tax Impact and Tax Items Related to TWC

The income tax impact reflects the estimated tax provision or tax benefit associated with each item affecting comparability. Such estimated tax provisions or tax benefits vary based on certain factors, including the taxability or deductibility of the items and foreign tax on certain transactions. For the year ended December 31, 2009, the Company also recognized approximately $24 million of tax benefits attributable to the impact of certain state tax law changes on TWC net deferred liabilities.

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TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Noncontrolling Interest Impact

For the year ended December 31, 2009, the noncontrolling interest impact of $5 million reflects the minority owners share of the tax provision related to changes in certain state tax laws on TWC net deferred liabilities.

2011 vs. 2010

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,		
	2011	2010	% Change
Subscription	$ 9,523	$ 9,028	5%
Advertising	6,116	5,682	8%
Content	12,635	11,565	9%
Other	700	613	14%
Total revenues	$ 28,974	$ 26,888	8%

The increase in Subscription and Advertising revenues was primarily related to an increase at the Networks segment. The increase in Content revenues was due primarily to increases at the Filmed Entertainment and Networks segments. Each of the revenue categories is discussed in greater detail by segment in Business Segment Results.

Costs of Revenues. For the year ended December 31, 2011, Costs of revenues increased to $16.311 billion from $15.023 billion for the year ended December 31, 2010 driven primarily by increases at the Networks and Filmed Entertainment segments. The segment variations are discussed in Business Segment Results.

Selling, General and Administrative Expenses. For the year ended December 31, 2011, Selling, general and administrative expenses increased 5% to $6.439 billion from $6.126 billion for the year ended December 31, 2010. The increase primarily related to increases at the Networks and Filmed Entertainment segments. The segment variations are discussed in Business Segment Results.

Included in Costs of revenues and Selling, general and administrative expenses is depreciation expense of $653 million and $674 million for the years ended December 31, 2011 and 2010, respectively.

Amortization Expense. Amortization expense increased to $269 million in 2011 from $264 million in 2010.

Restructuring and Severance Costs. For the year ended December 31, 2011, the Company incurred Restructuring and severance costs of $113 million, primarily related to employee terminations and other exit activities, consisting of $52 million at the Networks segment, $41 million at the Filmed Entertainment segment, $18 million at the Publishing segment and $2 million at the Corporate segment. The total number of employees terminated across the segments in 2011 was approximately 1,200.

For the year ended December 31, 2010, the Company incurred Restructuring and severance costs of $97 million, primarily related to employee terminations and other exit activities, consisting of $6 million at the Networks segment, $30 million at the Filmed Entertainment segment and $61 million at the Publishing segment. The total number of employees terminated across the segments in 2010 was approximately 500.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Operating Income. Operating Income increased to $5.805 billion in 2011 from $5.428 billion in 2010. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling $59 million of expense and $28 million of income in 2011 and 2010, respectively, Operating Income increased $464 million, reflecting increases at all of the segments. The segment variations are discussed under Business Segment Results.

Interest Expense, Net. For the year ended December 31, 2011, Interest expense, net, increased to $1.210 billion from $1.178 billion for the year ended December 31, 2010. This increase reflected higher average debt in 2011, primarily related to the issuance of $2.0 billion aggregate principal amount of debt securities in April 2011 and $1.0 billion aggregate principal amount of debt securities in October 2011, partially offset by an approximate $60 million decline in interest expense due to lower average interest rates.

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

	Year Ended December 31,	
	2011	**2010**
Investment gains (losses), net	$ (168)	$ 32
Amounts related to the separation of TWC	(5)	(6)
Premiums paid and transaction costs incurred in connection with debt redemptions		(364)
Income (loss) from equity method investees	(40)	6
Other	(16)	1
Other loss, net	$ (229)	$ (331)

The changes in Other loss, net for the year ended December 31, 2011 related to investment gains (losses), net, amounts related to the separation of TWC and premiums paid and transaction costs incurred in connection with debt redemptions are discussed under Transactions and Other Items Affecting Comparability. For the year ended December 31, 2011, the remaining change in Other loss, net was due primarily to losses from equity method investees and the unfavorable impact of foreign exchange rates.

Income Tax Provision. Income tax provision increased to $1.484 billion in 2011 from $1.348 billion in 2010. The Company s effective tax rate for continuing operations was 34% in both 2011 and 2010.

Net Income. Net income increased to $2.882 billion for the year ended December 31, 2011 from $2.571 billion for the year ended December 31, 2010. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling $189 million and $179 million of expense, net for the years ended December 31, 2011 and 2010, respectively, Net income increased $321 million, primarily reflecting higher Operating Income.

Net Loss Attributable to Noncontrolling Interests. For the years ended December 31, 2011 and 2010, Net loss attributable to noncontrolling interests was $4 million and $7 million, respectively.

Net Income Attributable to Time Warner Inc. Shareholders. Net income attributable to Time Warner Inc. shareholders was $2.886 billion and $2.578 billion for the years ended December 31, 2011 and 2010, respectively. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were $2.74 and $2.71, respectively, for the year ended December 31, 2011 compared to $2.27 and $2.25, respectively, for the year ended December 31, 2010.

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Business Segment Results

Networks. Revenues and Operating Income of the Networks segment for the years ended December 31, 2011 and 2010 are as follows (millions):

	Year Ended December 31,		
	2011	2010	% Change
Revenues:			
Subscription	$ 8,166	$ 7,671	6%
Advertising	4,189	3,736	12%
Content	1,144	942	21%
Other	155	131	18%
Total revenues	13,654	12,480	9%
Costs of revenues[a]	(6,403)	(5,732)	12%
Selling, general and administrative[a]	(2,408)	(2,200)	9%
Gain (loss) on operating assets	(2)	59	(103%)
Asset impairments	(6)		NM
Restructuring and severance costs	(52)	(6)	NM
Depreciation	(326)	(342)	(5%)
Amortization	(41)	(35)	17%
Operating Income	$ 4,416	$ 4,224	5%

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

The increase in Subscription revenues consisted of an increase in domestic subscription revenues of $337 million, mainly due to higher domestic subscription rates, and an increase in international subscription revenues of $158 million, primarily due to international subscriber growth.

The increase in Advertising revenues reflected domestic growth of $301 million, mainly due to strong pricing and Turner airing the NCAA Division I Men s Basketball Championship events (the NCAA Tournament). International advertising revenues increased $152 million, primarily due to international growth, including acquisitions. The Company anticipates that the growth rate for Advertising revenues at the Networks segment during 2012 will be lower than that experienced during 2011 because it was the first year of Turner airing the NCAA Tournament.

The increase in Content revenues was due primarily to higher licensing revenues of $105 million at Turner and higher sales of Home Box Office s original programming of $97 million.

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

	Year Ended December 31,		
	2011	2010	% Change
Programming costs:			
Originals and sports	$ 3,168	$ 2,661	19%
Acquired films and syndicated series	1,836	1,824	1%
Total programming costs	5,004	4,485	12%
Other direct operating costs	1,399	1,247	12%
Costs of revenues[(a)]	$ 6,403	$ 5,732	12%

(a) Costs of revenues exclude depreciation.

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The increase in Costs of revenues was driven by higher programming costs and other direct operating costs. The increase in programming costs reflected higher costs for originals and sports programming related primarily to the NCAA Tournament and international growth. Approximately half of the increase in originals and sports programming costs related to the NCAA Tournament. The increase in other direct operating costs was primarily driven by higher international costs primarily related to international growth.

Selling, general and administrative expenses increased due primarily to higher marketing expenses of $63 million, which included expenses associated with an HBO GO national marketing campaign, and higher international costs of $48 million, primarily associated with growth. In addition, for the year ended December 31, 2010, Selling, general and administrative expenses included a $58 million reserve reversal in connection with the resolution of litigation related to the 2004 sale of the Winter Sports Teams.

As previously noted under Transactions and Other Items Affecting Comparability, the 2011 results included $6 million of noncash impairments primarily related to a tradename impairment, and the 2010 results included a $59 million Gain on operating assets that was recognized upon the Company s acquisition of the controlling interest in HBO CE, reflecting the excess of the fair value over the Company s carrying costs of its original investment in HBO CE.

Operating Income increased primarily due to higher revenues, partially offset by higher Costs of revenues, Selling, general and administrative expenses and Restructuring and severance costs. Operating Income growth for the year ended December 31, 2011 was also negatively affected due to the absence of the $59 million Gain on operating assets relating to HBO CE discussed above.

Filmed Entertainment. Revenues and Operating Income of the Filmed Entertainment segment for the years ended December 31, 2011 and 2010 are as follows (millions):

	Year Ended December 31,		
	2011	**2010**	**% Change**
Revenues:			
Subscription	$ 86	$ 66	30%
Advertising	85	75	13%
Content	12,274	11,359	8%
Other	193	122	58%
Total revenues	12,638	11,622	9%
Costs of revenues[a]	(9,081)	(8,429)	8%
Selling, general and administrative[a]	(1,857)	(1,684)	10%
Gain on operating assets	9	11	(18%)
Asset impairments	(21)	(9)	133%
Restructuring and severance costs	(41)	(30)	37%
Depreciation	(198)	(186)	6%
Amortization	(186)	(188)	(1%)
Operating Income	$ 1,263	$ 1,107	14%

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

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Content revenues primarily relate to theatrical product (which is content made available for initial exhibition in theaters) and television product (which is content made available for initial airing on television). The components of Content revenues for the years ended December 31, 2011 and 2010 are as follows (millions):

	Year Ended December 31,		
	2011	2010	% Change
Theatrical product:			
Theatrical film	$ 2,100	$ 2,249	(7%)
Home video and electronic delivery	2,829	2,707	5%
Television licensing	1,557	1,605	(3%)
Consumer products and other	160	125	28%
Total theatrical product	6,646	6,686	(1%)
Television product:			
Television licensing	3,349	2,987	12%
Home video and electronic delivery	830	790	5%
Consumer products and other	245	216	13%
Total television product	4,424	3,993	11%
Other	1,204	680	77%
Total Content revenues	$ 12,274	$ 11,359	8%

The increase in Content revenues for the year ended December 31, 2011 included the net positive impact of foreign exchange rates of approximately $215 million.

Theatrical product revenues from theatrical film decreased due primarily to lower carryover revenues from releases in prior periods. There were 22 theatrical films released in 2011 as compared to 23 in 2010.

Theatrical product revenues from home video and electronic delivery increased due to higher carryover revenues from releases in prior periods and catalog revenues of $94 million and higher revenues from releases in 2011 of $28 million. There were 20 home video and electronic delivery releases in 2011 as compared to 29 in 2010.

Theatrical product revenues from television licensing decreased due primarily to the quantity and mix of availabilities.

The increase in television product licensing fees was primarily due to higher revenues from worldwide syndication.

Television product revenues from home video and electronic delivery increased due to higher electronic delivery revenues of $115 million primarily related to the recognition of revenue associated with a licensing agreement with Netflix, Inc. (Netflix) that allows Netflix s U.S. members to stream previous seasons of the scripted series that aired on The CW Network beginning in Fall 2011, as well as previous seasons of new scripted series produced by Warner Bros. or CBS Corporation that premiere on the network through the 2014-2015 broadcast season, partially offset by lower revenues from consumer packaged goods of $75 million.

Other content revenues increased primarily due to higher revenues from videogames released in 2011 as compared to videogames released in 2010.

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

	Year Ended December 31,		
	2011	2010	% Change
Film costs	$ 5,488	$ 5,194	6%
Print and advertising costs	2,317	2,168	7%
Other costs, including merchandise and related costs	1,276	1,067	20%
Costs of revenues[(a)]	$ 9,081	$ 8,429	8%

(a) Costs of revenues exclude depreciation.

The increase in Costs of revenues reflected higher film costs, print and advertising costs and other costs. Film costs and print and advertising costs increased mainly due to the mix of product released. Included in film costs are theatrical film valuation adjustments as a result of revisions to estimates of ultimate revenue for certain theatrical films. For the years ended December 31, 2011 and 2010, theatrical film valuation adjustments were $74 million and $78 million, respectively. Other costs increased primarily due to higher merchandise costs mainly associated with the increase in videogame sales.

The increase in Selling, general and administrative expenses was primarily due to higher costs associated with new business initiatives and acquisitions of $60 million, higher employee-related costs of $41 million and higher distribution fees of $34 million, primarily associated with certain videogames.

As previously noted under Transactions and Other Items Affecting Comparability, the 2011 results included $21 million of noncash impairments, of which $12 million related to capitalized software costs. In addition, the 2011 results included $9 million of noncash gains related to fair value adjustments on certain contingent consideration arrangements relating to acquisitions. The 2010 results included an $11 million noncash gain related to a fair value adjustment on certain contingent consideration arrangements relating to acquisitions and a $9 million noncash impairment of intangible assets related to the termination of a videogames licensing relationship.

The increase in Operating Income was primarily due to higher Revenues, partially offset by higher Costs of revenues and Selling, general and administrative expenses.

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Publishing. Revenues and Operating Income of the Publishing segment for the years ended December 31, 2011 and 2010 are as follows (millions):

	Year Ended December 31,		
	2011	2010	% Change
Revenues:			
Subscription	$ 1,271	$ 1,291	(2%)
Advertising	1,923	1,935	(1%)
Content	84	68	24%
Other	399	381	5%
Total revenues	3,677	3,675	
Costs of revenues[a]	(1,400)	(1,359)	3%
Selling, general and administrative[a]	(1,537)	(1,580)	(3%)
Asset impairments	(17)	(11)	55%
Restructuring and severance costs	(18)	(61)	(70%)
Depreciation	(100)	(108)	(7%)
Amortization	(42)	(41)	2%
Operating Income	$ 563	$ 515	9%

[a] Costs of revenues and Selling, general and administrative expenses exclude depreciation.

Subscription revenues decreased primarily due to lower domestic newsstand sales of $23 million, particularly in the celebrity category, and lower international subscription revenues of $16 million primarily due to the disposal by sale of certain magazines at IPC in the fourth quarter of 2010 (the IPC Sales), partially offset by higher domestic subscription sales of $18 million.

Advertising revenues decreased primarily reflecting lower international advertising revenues of $11 million due primarily to the IPC Sales and lower website advertising revenues of $9 million due to the negative impact of the transfer of management of the *SI.com* and *Golf.com* websites to Turner in the fourth quarter of 2010. These decreases were partially offset by higher custom publishing revenues of $12 million.

The increase in Other revenues was due to the license fee for *SI.com* and *Golf.com* received from Turner following the transfer of the websites management to Turner.

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

Year Ended December 31,		
2011	2010	% Change

Production costs	$ 848	$ 807	5%
Editorial costs	474	472	
Other	78	80	(3%)
Costs of revenues[a]	$ 1,400	$ 1,359	3%

[a] Costs of revenues exclude depreciation.

Costs of revenues increased primarily due to higher production costs, which largely reflected higher paper costs.

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Selling, general and administrative expenses decreased primarily due to cost savings initiatives as well as $17 million of reductions in expenses due to the transfer of the management of the *SI.com* and *Golf.com* websites to Turner in the fourth quarter of 2010 and the IPC Sales.

As previously noted under Transactions and Other Items Affecting Comparability, the 2011 results included $17 million of noncash impairments of which $11 million related to a tradename impairment. The 2010 results included $11 million of noncash impairments related to certain intangible assets.

Operating Income increased due primarily to lower Selling, general and administrative expenses and lower Restructuring and severance costs, partially offset by an increase in Costs of revenues.

The Company anticipates that Operating Income at the Publishing segment will decline in the first half of 2012 due primarily to expenses associated with investments related to its digital strategy and increases in production costs. In addition, the Company is anticipating continued softness in domestic magazine advertising and newsstand sales during the first quarter of 2012.

Corporate. Operating Loss of the Corporate segment for the years ended December 31, 2011 and 2010 was as follows (millions):

	Year Ended December 31,		
	2011	2010	% Change
Selling, general and administrative[a]	$ (316)	$ (336)	(6%)
Restructuring and severance costs	(2)		NM
Depreciation	(29)	(38)	(24%)
Operating Loss	$ (347)	$ (374)	(7%)

(a) Selling, general and administrative expenses exclude depreciation.

Operating Loss decreased due primarily to lower legal and other professional fees of $14 million related to the defense of former employees in various lawsuits and lower depreciation expense due to building improvements becoming fully depreciated.

For the years ended December 31, 2011 and 2010, Selling, general and administrative expenses included $21 million and $8 million, respectively, of costs related to enterprise efficiency initiatives.

2010 vs. 2009

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,		
	2010	2009	% Change
Subscription	$ 9,028	$ 8,445	7%
Advertising	5,682	5,161	10%
Content	11,565	11,074	4%
Other	613	708	(13%)
Total revenues	$ 26,888	$ 25,388	6%

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The increase in Subscription revenues for the year ended December 31, 2010 was primarily related to an increase at the Networks segment. Advertising revenues increased for the year ended December 31, 2010 primarily reflecting growth at the Networks and Publishing segments. The increase in Content revenues for the year ended December 31, 2010 was due primarily to increases at the Filmed Entertainment and Networks segments.

Each of the revenue categories is discussed in greater detail by segment in Business Segment Results.

Costs of Revenues. For the years ended December 31, 2010 and 2009, Costs of revenues totaled $15.023 billion and $14.235 billion, respectively. The segment variations are discussed in Business Segment Results.

Selling, General and Administrative Expenses. For the year ended December 31, 2010, Selling, general and administrative expenses increased 1% to $6.126 billion from $6.073 billion in 2009, primarily due to an increase at the Networks segment, partially offset by a decrease at the Publishing segment. In addition, Selling, general and administrative expenses for the year ended December 31, 2010 included a $58 million reserve reversal at the Networks segment in connection with the resolution of litigation relating to the Winter Sports Teams. The segment variations are discussed in Business Segment Results.

Included in Costs of revenues and Selling, general and administrative expenses is depreciation expense, which increased to $674 million in 2010 from $668 million in 2009.

Amortization Expense. Amortization expense decreased to $264 million in 2010 from $280 million in 2009.

Restructuring and Severance Costs. For the year ended December 31, 2010, the Company incurred Restructuring and severance costs of $97 million primarily related to various employee terminations and other exit activities, consisting of $6 million at the Networks segment, $30 million at the Filmed Entertainment segment and $61 million at the Publishing segment. The total number of employees terminated across the segments in 2010 was approximately 500.

During the year ended December 31, 2009, the Company incurred Restructuring and severance costs of $212 million primarily related to various employee terminations and other exit activities, including $8 million at the Networks segment, $105 million at the Filmed Entertainment segment and $99 million at the Publishing segment. The total number of employees terminated across the segments in 2009 was approximately 1,500.

Operating Income. Operating Income increased to $5.428 billion for the year ended December 31, 2010 from $4.470 billion for the year ended December 31, 2009. Excluding the items previously noted under Transactions and Other Items Affecting Comparability totaling $28 million of income and $148 million of expense for the years ended December 31, 2010 and 2009, respectively, Operating Income increased $782 million, primarily reflecting increases at the Networks and Publishing segments. The segment variations are discussed under Business Segment Results.

Interest Expense, Net. For the year ended December 31, 2010, Interest expense, net, increased to $1.178 billion from $1.166 billion for the year ended December 31, 2009 primarily due to the absence in 2010 of a prior year $43 million benefit in connection with the resolution of an international VAT matter and higher net debt, partially offset by lower rates.

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

	Year Ended December 31, 2010	2009
Investment gains (losses), net	$ 32	$ (21)
Amounts related to the separation of TWC	(6)	14
Costs related to the separation of AOL		(15)
Premiums paid and transaction costs incurred in connection with debt redemptions	(364)	
Income (loss) from equity method investees	6	(32)
Other	1	(13)
Other loss, net	$ (331)	$ (67)

The changes in Other loss, net for the year ended December 31, 2010 related to investment gains (losses), net, amounts related to the separation of TWC, costs related to the separation of AOL and premiums paid and transaction costs incurred in connection with debt redemptions are discussed under Transactions and Other Items Affecting Comparability. The remaining change for the year ended December 31, 2010 reflects income from equity method investees and the favorable impact of foreign exchange rates.

Income Tax Provision. Income tax provision from continuing operations increased to $1.348 billion in 2010 from $1.153 billion in 2009. The Company s effective tax rate for continuing operations was 34% in 2010 compared to 36% in 2009. This decrease was primarily due to the benefit of valuation allowance releases on tax attributes and higher domestic production deductions.

Income from Continuing Operations. Income from continuing operations increased to $2.571 billion in 2010 from $2.084 billion in 2009. Excluding the items previously noted under Transactions and Other Items Affecting Comparability totaling $179 million and $109 million of expense, net for the years ended December 31, 2010 and 2009, respectively, Income from continuing operations increased by $557 million, primarily reflecting 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 $2.27 and $2.25, respectively, in 2010 compared to $1.76 and $1.75, respectively, in 2009.

Discontinued Operations, Net of Tax. The financial results for the year ended December 31, 2009 included the impact of treating the results of operations and financial condition of AOL and TWC as discontinued operations. Discontinued operations, net of tax was income of $428 million and included AOL s results for the period January 1, 2009 through December 9, 2009 and TWC s results for the period from January 1, 2009 through March 12, 2009. For additional information, see Note 3 to the accompanying consolidated financial statements.

Net Income (Loss) Attributable to Noncontrolling Interests. For the year ended December 31, 2010, Net loss attributable to noncontrolling interests was $7 million, and for the year ended December 31, 2009, Net income attributable to noncontrolling interests was $35 million.

Net Income Attributable to Time Warner Inc. Shareholders. Net income attributable to Time Warner Inc. shareholders was $2.578 billion and $2.477 billion for the years ended December 31, 2010 and 2009, respectively. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were $2.27 and $2.25, respectively, in 2010 compared to $2.08 and $2.07, respectively, in 2009.

TIME WARNER INC.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Business Segment Results

Networks. Revenues and Operating Income of the Networks segment for the years ended December 31, 2010 and 2009 are as follows (millions):

	Year Ended December 31,		
	2010	2009	% Change
Revenues:			
Subscription	$ 7,671	$ 7,077	8%
Advertising	3,736	3,272	14%
Content	942	819	15%
Other	131	85	54%
Total revenues	12,480	11,253	11%
Costs of revenues[(a)]	(5,732)	(5,349)	7%
Selling, general and administrative[(a)]	(2,200)	(2,002)	10%
Gain on operating assets	59		NM
Asset impairments		(52)	(100%)
Restructuring and severance costs	(6)	(8)	(25%)
Depreciation	(342)	(338)	1%
Amortization	(35)	(34)	3%
Operating Income	$ 4,224	$ 3,470	22%

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

The increase in Subscription revenues consisted of an increase in domestic subscription revenues of $406 million, mainly due to higher domestic subscription rates, and an increase in international subscription revenues of $188 million, primarily due to the consolidation of HBO CE. Home Box Office s domestic subscribers declined by 1.6 million during 2010; however, as these subscribers generated very little or no revenue, the decline had almost no impact on Subscription revenues.

The increase in Advertising revenues reflected domestic growth of $248 million at Turner mainly as a result of strong pricing. Advertising revenues also increased $216 million due to international expansion and growth.

The increase in Content revenues was due primarily to higher sales of Home Box Office s original programming of $104 million and higher licensing revenues at Turner of $22 million, partially offset by a decrease of approximately $20 million due to a larger benefit in 2009 associated with lower than anticipated home video returns.

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

	Year Ended December 31,		
	2010	2009	% Change
Programming costs:			
Originals and sports	$ 2,661	$ 2,316	15%
Acquired films and syndicated series	1,824	1,942	(6%)
Total programming costs	4,485	4,258	5%
Other direct operating costs	1,247	1,091	14%
Costs of revenues[a]	$ 5,732	$ 5,349	7%

[a] Costs of revenues exclude depreciation.

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The increase in Costs of revenues was driven by higher programming costs and higher other direct operating costs. The increase in programming costs reflected higher originals and sports programming costs due in part to international growth, partially offset by lower acquired films and syndicated series costs primarily due to a prior year $104 million write-down to net realizable value relating to a program licensed by Turner from Warner Bros. that the Company re-licensed to a third party. The increases in Costs of revenues also reflected higher other direct operating costs of $156 million primarily related to international growth.

Selling, general and administrative expenses increased due primarily to higher marketing expenses of $137 million and increased costs of $48 million associated with the acquisition of HBO CE and other smaller acquisitions, partially offset by a $58 million reserve reversal in connection with the resolution of litigation relating to the 2004 sale of the Winter Sports Teams.

As previously noted under Transactions and Other Items Affecting Comparability, the 2010 results included a $59 million Gain on operating assets that was recognized upon the Company s acquisition of the controlling interest in HBO CE, reflecting the excess of the fair value over the Company s carrying costs of its original investment in HBO CE. The 2009 results included a $52 million noncash impairment of intangible assets related to Turner s interest in a general entertainment network in India. In addition, the 2010 and 2009 results included $6 million and $8 million, respectively, of Restructuring and severance costs, primarily related to headcount reductions.

Operating Income increased primarily due to the increase in Revenues, the $59 million Gain on operating assets relating to HBO CE, the $58 million reserve reversal in connection with the resolution of litigation related to the sale of the Winter Sports Teams and the absence in 2010 of the $52 million noncash impairment of intangible assets, partially offset by higher Costs of revenues and higher Selling, general and administrative expenses.

Filmed Entertainment. Revenues and Operating Income of the Filmed Entertainment segment for the years ended December 31, 2010 and 2009 are as follows (millions):

	Year Ended December 31,		
	2010	2009	% Change
Revenues:			
Subscription	$ 66	$ 44	50%
Advertising	75	79	(5%)
Content	11,359	10,766	6%
Other	122	177	(31%)
Total revenues	11,622	11,066	5%
Costs of revenues[a]	(8,429)	(7,805)	8%
Selling, general and administrative[a]	(1,684)	(1,676)	
Gain (loss) on operating assets	11	(33)	(133%)
Asset impairments	(9)		NM
Restructuring and severance costs	(30)	(105)	(71%)
Depreciation	(186)	(164)	13%
Amortization	(188)	(199)	(6%)
Operating Income	$ 1,107	$ 1,084	2%

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

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Content revenues primarily include theatrical product (which is content made available for initial exhibition in theaters) and television product (which is content made available for initial airing on television). The components of Content revenues for the years ended December 31, 2010 and 2009 are as follows (millions):

	Year Ended December 31,		
	2010	**2009**	**% Change**
Theatrical product:			
Theatrical film	$ 2,249	$ 2,085	8%
Home video and electronic delivery	2,707	2,820	(4%)
Television licensing	1,605	1,459	10%
Consumer products and other	125	129	(3%)
Total theatrical product	6,686	6,493	3%
Television product:			
Television licensing	2,987	2,506	19%
Home video and electronic delivery	790	777	2%
Consumer products and other	216	214	1%
Total television product	3,993	3,497	14%
Other	680	776	(12%)
Total Content revenues	$ 11,359	$ 10,766	6%

For the year ended December 31, 2010, Content revenues included the positive impact of foreign exchange rates of approximately $75 million.

Theatrical film revenues increased due to higher revenues from theatrical films released in 2010 of $240 million, partially offset by lower carryover revenues from releases in prior periods of $76 million. There were 23 theatrical films released in 2010 as compared to 26 in 2009.

Theatrical product revenues from home video and electronic delivery decreased in 2010 due primarily to lower carryover revenues from releases in prior periods and catalog revenues of $256 million, partially offset by higher revenues from releases in 2010 of $143 million due primarily to the increased quantity of new releases in 2010. There were 29 home video and electronic delivery releases in 2010 as compared to 22 in 2009.

Theatrical product revenues from television licensing increased due primarily to the quantity and mix of availabilities.

The increase in television product licensing fees for the year ended December 31, 2010 was due primarily to higher revenues from worldwide syndication.

Television product revenues from home video and electronic delivery were essentially flat due to the timing and mix of product.

Other content revenues decreased due primarily to lower revenues from videogames released in 2010 as compared with videogames released in 2009.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

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

	Year Ended December 31,		
	2010	2009	% Change
Film costs	$ 5,194	$ 4,724	10%
Print and advertising costs	2,168	1,965	10%
Other costs, including merchandise and related costs	1,067	1,116	(4%)
Costs of revenues[a]	$ 8,429	$ 7,805	8%

[a] Costs of revenues exclude depreciation.

The increase in Costs of revenues resulted primarily from higher film costs due mainly to higher television product costs and higher print and advertising costs due mainly to the quantity and mix of films released, including a higher number of international releases. Included in film costs are net theatrical film valuation adjustments, which were $78 million in 2010 compared to $85 million in 2009. In 2009, the Company also recognized a net benefit of $50 million related to adjustments to correct prior period participation accruals.

Selling, general and administrative expenses were essentially flat as higher employee related costs of $42 million and increased costs associated with acquisitions of $30 million were offset by lower bad debt expenses of $51 million and lower other costs.

As previously noted under Transactions and Other Items Affecting Comparability, the 2010 results included an $11 million noncash gain related to a fair value adjustment on certain contingent consideration arrangements relating to acquisitions and a $9 million noncash impairment of intangible assets related to the termination of a videogames licensing relationship. The 2009 results included a $33 million loss on the sale of Warner Bros. Italian cinema assets. In addition, the results for the years ended December 31, 2010 and 2009 included $30 million and $105 million of Restructuring and severance costs, respectively, primarily related to headcount reductions and the outsourcing of certain functions.

The increase in Operating Income was primarily due to higher Revenues, lower Restructuring and severance costs and the absence in 2010 of the $33 million loss on the 2009 sale of Warner Bros. Italian cinema assets, partially offset by higher Costs of revenues, the 2009 net benefit of $50 million related to adjustments to correct prior period participation accruals, the impact of improved home video catalog returns in 2009 of approximately $30 million, and the absence in 2010 of a $26 million benefit in connection with the resolution of an international VAT matter in 2009.

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Publishing. Revenues and Operating Income of the Publishing segment for the years ended December 31, 2010 and 2009 are as follows (millions):

	Year Ended December 31,		
	2010	2009	% Change
Revenues:			
Subscription	$ 1,291	$ 1,324	(2%)
Advertising	1,935	1,878	3%
Content	68	73	(7%)
Other	381	461	(17%)
Total revenues	3,675	3,736	(2%)
Costs of revenues[(a)]	(1,359)	(1,441)	(6%)
Selling, general and administrative[(a)]	(1,580)	(1,744)	(9%)
Asset impairments	(11)	(33)	(67%)
Restructuring and severance costs	(61)	(99)	(38%)
Depreciation	(108)	(126)	(14%)
Amortization	(41)	(47)	(13%)
Operating Income	$ 515	$ 246	109%

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

Subscription revenues decreased primarily due to a $23 million decline in domestic subscription revenues and lower domestic newsstand revenues of $9 million.

Advertising revenues increased primarily due to a $36 million increase in domestic magazine advertising revenues due to improvements in domestic print advertising pages sold, partially offset by lower average advertising rates per page, and a $20 million increase in website advertising revenues. Growth in website advertising revenues at the Publishing segment was negatively affected by the transfer of management to Turner in the fourth quarter of 2010 of the *SI.com* and *Golf.com* websites, including selling the advertising for the websites. This transfer had a commensurate increase in website advertising revenues at the Networks segment.

The decrease in Other revenues is due primarily to declines at non-magazine businesses, including a decline due to the sale of Southern Living At Home in the third quarter of 2009.

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

Year Ended December 31,		
2010	2009	% Change

Production costs	$ 807	$ 868	(7%)
Editorial costs	472	496	(5%)
Other	80	77	4%
Costs of revenues[(a)]	$ 1,359	$ 1,441	(6%)

(a) Costs of revenues exclude depreciation.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Production costs decreased primarily due to lower paper costs associated with a decline in paper prices. Editorial costs decreased primarily as a result of cost savings initiatives.

Selling, general and administrative expenses decreased due primarily to lower marketing expenses of $93 million, in part due to cost savings initiatives, lower pension expenses of $92 million and the absence in 2010 of an $18 million bad debt reserve in 2009 related to a newsstand wholesaler. These decreases were partly offset by an increase in other general and administrative expenses.

As previously noted under Transactions and Other Items Affecting Comparability, the 2010 results included $11 million of noncash impairments related to certain intangible assets and the 2009 results included $33 million of noncash impairments of certain fixed assets in connection with the Publishing segment s restructuring activities. In addition, the results for the years ended December 31, 2010 and 2009 included Restructuring and severance costs of $61 million and $99 million, respectively.

Operating Income increased due primarily to decreases in Selling, general and administrative expenses and Costs of revenues, lower Restructuring and severance costs and a decrease in Asset impairments, partially offset by lower Revenues.

Corporate. Operating Loss of the Corporate segment for the years ended December 31, 2010 and 2009 is as follows (millions):

	Year Ended December 31,		
	2010	**2009**	**% Change**
Selling, general and administrative[a]	$ (336)	$ (325)	3%
Depreciation	(38)	(40)	(5%)
Operating Loss	$ (374)	$ (365)	2%

[a] Selling, general and administrative expenses exclude depreciation.

Operating Loss was essentially flat compared to the prior year.

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 quarterly dividend payments, the purchase of common stock under the Company s repurchase program and scheduled debt repayments. 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, 2011 was $8.536 billion, which included $3.476 billion of Cash and equivalents.

Current Financial Condition

At December 31, 2011, Time Warner had $19.524 billion of debt, $3.476 billion of Cash and equivalents (net debt, defined as total debt less Cash and equivalents, of $16.048 billion) and $29.957 billion of Shareholders equity, compared to $16.549 billion of debt, $3.663 billion of Cash and equivalents (net debt of $12.886 billion) and $32.940 billion of Shareholders equity at December 31, 2010.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The following table shows the significant items contributing to the increase in net debt from December 31, 2010 to December 31, 2011 (millions):

Balance at December 31, 2010	$ 12,886
Cash provided by operations from continuing operations	(3,448)
Capital expenditures	772
Dividends paid to common stockholders	997
Investments and acquisitions, net	382
Repurchases of common stock	4,611
All other, net	(152)
Balance at December 31, 2011	$ 16,048

On January 25, 2011, Time Warner s Board of Directors increased the amount remaining on the Company s common stock repurchase program to $5.0 billion for share repurchases beginning January 1, 2011. On January 31, 2012, the Company s Board of Directors authorized a new $4.0 billion stock repurchase program that commenced after the completion of the $5.0 billion share repurchase program in February 2012. Purchases under the stock repurchase programs 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, 2011 through February 21, 2012, the Company repurchased 146 million shares of common stock for $5.008 billion pursuant to trading programs under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act), including 136 million shares for $4.618 billion from January 1, 2011 through December 31, 2011.

Cash Flows

Cash and equivalents decreased by $187 million and $1.070 billion for the years ended December 31, 2011 and 2010, respectively. 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,		
	2011	2010	2009
Operating Income	$ 5,805	$ 5,428	$ 4,470
Depreciation and amortization	922	938	948
Net interest payments[a]	(1,079)	(1,060)	(1,082)
Net income taxes paid[b]	(1,079)	(958)	(810)
Amounts paid to settle litigation		(250)	
All other, net, including working capital changes	(1,121)	(784)	(140)
Cash provided by operations from continuing operations	$ 3,448	$ 3,314	$ 3,386

(a) Includes interest income received of $40 million, $26 million and $43 million in 2011, 2010 and 2009, respectively.

(b) Includes income tax refunds received of $95 million, $90 million and $99 million in 2011, 2010 and 2009, respectively, income tax sharing payments to TWC of $87 million in 2010 and net income tax sharing receipts from TWC and AOL of $241 million in 2009.

The increase in Cash provided by operations from continuing operations for the year ended December 31, 2011 was related primarily to higher Operating Income as well as significant amounts paid in 2010 to settle litigation. This was partially offset by higher cash used by working capital, reflecting higher production spending, and higher net income taxes paid.

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The decrease in Cash provided by operations from continuing operations for the year ended December 31, 2010 was related primarily to cash used by working capital, amounts paid to settle litigation and higher income taxes paid, partially offset by an increase in Operating Income.

Investing Activities from Continuing Operations

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

	Year Ended December 31,		
	2011	**2010**	**2009**
Investments in available-for-sale securities	$ (34)	$ (16)	$ (4)
Investments and acquisitions, net of cash acquired:			
HBO LAG	(65)	(217)	
HBO CE		(136)	
Chilevision		(134)	
Shed Media		(100)	
Repurchase of Google s 5% interest in AOL			(283)
CME	(61)		(246)
All other	(222)	(332)	(216)
Capital expenditures	(772)	(631)	(547)
Proceeds from the Special Dividend (as defined below)			9,253
All other investment and sale proceeds	68	130	231
Cash provided (used) by investing activities from continuing operations	$ (1,086)	$ (1,436)	$ 8,188

The decrease in Cash used by investing activities from continuing operations for the year ended December 31, 2011 was primarily the result of lower investments and acquisitions spending, partially offset by higher Capital expenditures and lower investment and sale proceeds.

The change in Cash provided (used) by investing activities from continuing operations for the year ended December 31, 2010 was primarily due to the Company s receipt of $9.253 billion on March 12, 2009 as its portion of the payment by TWC of a special cash dividend of $10.27 per share to all holders of TWC Class A Common Stock and TWC Class B Common Stock as of the close of business on March 11, 2009 (the Special Dividend) in connection with the separation of TWC from the Company.

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Financing Activities from Continuing Operations

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

	Year Ended December 31,		
	2011	2010	2009
Borrowings[a]	$ 3,037	$ 5,243	$ 3,583
Debt repayments[a]	(80)	(4,910)	(10,050)
Proceeds from the exercise of stock options	204	121	56
Excess tax benefit on stock options	22	7	1
Principal payments on capital leases	(12)	(14)	(18)
Repurchases of common stock	(4,611)	(2,016)	(1,158)
Dividends paid	(997)	(971)	(897)
Other financing activities	(96)	(384)	(57)
Cash used by financing activities from continuing operations	$ (2,533)	$ (2,924)	$ (8,540)

[a] The Company reflects borrowings under its bank credit agreements on a gross basis and short-term commercial paper on a net basis in the accompanying Consolidated Statement of Cash Flows.

The decrease in Cash used by financing activities from continuing operations for the year ended December 31, 2011 was primarily due to an increase in Borrowings net of Debt repayments, less cash used by Other financing activities and higher Proceeds from the exercise of stock options, partially offset by an increase in Repurchases of common stock made in connection with the Company s common stock repurchase program. Other financing activities for the year ended December 31, 2010 include premiums and transaction costs paid in connection with debt redemptions in 2010.

The decrease in Cash used by financing activities from continuing operations for the year ended December 31, 2010 was primarily due to a decrease in Debt repayments net of Borrowings, partially offset by an increase in Repurchases of common stock made in connection with the Company s stock repurchase program. The Borrowings and Debt repayments in 2010 primarily reflect a series of transactions that capitalized on the historically low interest rate environment and extended the average maturity of the Company s debt. In 2009, the Company used a portion of the $9.253 billion it received from the payment of the Special Dividend to repay in full its $2.000 billion three-year unsecured term loan facility (plus accrued interest) and repay all amounts outstanding under its credit agreement. In addition, the Company paid $2.000 billion (plus accrued interest) for floating rate public debt that matured on November 13, 2009.

Cash Flows from Discontinued Operations

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

Year Ended December 31,

	2011	2010	2009
Cash provided (used) by operations from discontinued operations	$ (16)	$ (24)	$ 1,324
Cash used by investing activities from discontinued operations			(763)
Cash used by financing activities from discontinued operations			(5,255)
Effect of change in cash and equivalents of discontinued operations			5,311
Cash provided (used) by discontinued operations	$ (16)	$ (24)	$ 617

Cash provided by discontinued operations in 2009 primarily reflected the cash activity associated with AOL.

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Outstanding Debt and Other Financing Arrangements

Outstanding Debt and Committed Financial Capacity

At December 31, 2011, Time Warner had total committed capacity, defined as maximum available borrowings under various existing debt arrangements and cash and short-term investments, of $28.126 billion. Of this committed capacity, $8.536 billion was unused and $19.524 billion was outstanding as debt. At December 31, 2011, 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	$ 3,476	$	$	$ 3,476
Revolving credit facilities and commerical paper program	5,000	3		4,997
Fixed-rate public debt	19,251		19,251	
Other obligations[(d)]	399	63	273	63
Total	$ 28,126	$ 66	$ 19,524	$ 8,536

(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 14.7 years as of December 31, 2011.

(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, 2011, the Company s public debt matures as follows: $638 million in 2012, $732 million in 2013, $0 in 2014, $1.000 billion in 2015, $1.150 billion in 2016 and $15.881 billion thereafter. In the period after 2016, no more than $2.0 billion will mature in any given year.

(d) Unused committed capacity includes committed financings of subsidiaries under local bank credit agreements. Other debt obligations totaling $23 million are due within the next twelve months.

2011 Debt Offerings

Time Warner has a shelf registration statement filed with the SEC that allows it to offer and sell from time to time debt securities, preferred stock, common stock and warrants to purchase debt and equity securities.

On April 1, 2011, Time Warner issued $2.0 billion aggregate principal amount of debt securities from its shelf registration statement, consisting of $1.0 billion aggregate principal amount of 4.75% Notes due 2021 and $1.0 billion aggregate principal amount of 6.25% Debentures due 2041.

On October 17, 2011, Time Warner issued $1.0 billion aggregate principal amount of debt securities from its shelf registration statement, consisting of $500 million aggregate principal amount of 4.00% Notes due 2022 and $500 million aggregate principal amount of 5.375% Debentures due 2041.

The net proceeds of both offerings will be used for general corporate purposes, which may include share repurchases.

Revolving Credit Facilities

On September 27, 2011, Time Warner amended its $5.0 billion senior unsecured credit facilities, which had consisted of a $2.5 billion three-year revolving credit facility and a $2.5 billion five-year revolving credit facility. The amendment changed the $2.5 billion three-year revolving credit facility to a $2.5 billion four-year revolving credit facility with a maturity date of September 27, 2015 and extended the maturity date of the $2.5 billion five-year revolving credit facility from January 19, 2016 to September 27, 2016. The amendment also reduced interest

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rates and facility fees and eliminated the reference to the percentage of commitments used under the Revolving Credit Facilities for the purpose of calculating the interest rate on borrowings under the Revolving Credit Facilities.

The interest rate on borrowings and the facility fees under the Revolving Credit Facilities are based on the credit rating for Time Warner s senior unsecured long-term debt. Based on the credit rating as of December 31, 2011, the interest rate on borrowings under the Four-Year Revolving Credit Facility would be LIBOR plus 1.10% per annum and the facility fee was 0.15% per annum, and the interest rate on borrowings under the Five-Year Revolving Credit Facility would be LIBOR plus 1.075% per annum and the facility fee was 0.175% per annum.

The funding commitments under the Revolving Credit Facilities are provided by a geographically diverse group of 20 major financial institutions based in countries including Canada, France, Germany, Japan, Spain, Switzerland, the United Kingdom and the U.S. In addition, 19 of these financial institutions were identified by international regulators in November 2011 as among the 29 financial institutions that they deemed to be systemically important. None of the financial institutions in the Revolving Credit Facilities accounts for more than 7% 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 $5.0 billion Revolving Credit Facilities, which support the commercial paper program.

Additional Information

The obligations of each of the borrowers under the Company s Revolving Credit Facilities and the obligations of Time Warner under the commercial paper program and the Company s outstanding public debt are directly or indirectly guaranteed on an unsecured basis by Historic TW, Home Box Office and Turner (other than the $2 billion of public debt 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, 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 previously discussed financing arrangements, 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, 2011, 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):

Contractual Obligations[a][b][c]	Total	2012	2013-2014	2015-2016	Thereafter
Outstanding debt obligations (Note 8)	$ 19,595	$ 649	$ 732	$ 2,150	$ 16,064
Interest (Note 8)	19,346	1,200	2,273	2,199	13,674
Capital lease obligations (Note 8)	97	17	29	21	30
Operating lease obligations (Note 16)	2,351	403	764	616	568
Purchase obligations	19,663	4,534	4,883	3,095	7,151
Total contractual obligations and outstanding debt	$ 61,052	$ 6,803	$ 8,681	$ 8,081	$ 37,487

(a) The table does not include the effects of certain put/call or other buy-out arrangements that are contingent in nature involving certain of the Company s investees (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, 2011 totaled $2.509 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.

The following is a description of the Company s material contractual obligations at December 31, 2011:

Outstanding debt obligations represents the principal amounts due on outstanding debt obligations as of December 31, 2011. Amounts do not include any fair value adjustments, bond premiums, discounts, interest payments or dividends.

Interest represents amounts based on the outstanding debt balances, interest rates and maturity schedules of the respective instruments as of December 31, 2011. Interest ultimately paid on these obligations may differ based on changes in interest rates for variable-rate debt, as well as any potential future refinancings entered into by the Company.

Capital lease obligations represents the minimum lease payments under noncancelable capital leases, primarily for certain transponder leases at the Networks segment.

Operating lease obligations represents the minimum lease payments under noncancelable operating leases, primarily for the Company s real estate and operating equipment in various locations around the world.

Purchase obligations represents an agreement to purchase goods or services that is enforceable and legally binding on the Company and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligation amounts do not represent the entire anticipated purchases in the future, but represent only those items for which the Company is contractually obligated. Additionally, the Company also purchases products and services as needed, with no firm commitment. For this reason, the amounts presented in the table alone do not provide a reliable indicator of the Company s expected future cash outflows. For purposes of identifying and accumulating purchase obligations, the Company has included all material contracts meeting the definition of a purchase obligation (i.e., legally binding for a fixed or minimum amount or quantity). For those contracts involving a fixed or minimum quantity, but with variable pricing terms, the Company has estimated the contractual obligation based on its best estimate of the pricing that will be in effect at the time the obligation is incurred. Additionally, the Company has included only the obligations represented by those contracts as they existed at

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December 31, 2011, and did not assume renewal or replacement of the contracts at the end of their respective terms. If a contract includes a penalty for non-renewal, the Company has included that penalty, assuming it will be paid in the period after the contract term expires. If Time Warner can unilaterally terminate an agreement simply by providing a certain number of days notice or by paying a termination fee, the Company has included the amount of the termination fee or the amount that would be paid over the notice period. Contracts that can be unilaterally terminated without incurring a penalty have not been included.

The following table summarizes the Company s purchase obligations at December 31, 2011 (millions):

Purchase Obligations	Total	2012	2013-2014	2015-2016	Thereafter
Network programming obligations[a]	$ 16,210	$ 2,769	$ 3,705	$ 2,820	$ 6,916
Creative talent and employment agreements[b]	1,601	984	550	61	6
Obligations to use certain printing facilities for the production of magazines	491	230	253	8	
Advertising, marketing and sponsorship obligations[c]	676	346	226	103	1
Other, primarily general and administrative obligations[d]	685	205	149	103	228
Total purchase obligations	$ 19,663	$ 4,534	$ 4,883	$ 3,095	$ 7,151

(a) The Networks segment enters into contracts to license sports programming to carry on its television networks. The amounts in the table represent minimum payment obligations to sports leagues (e.g., NCAA, NBA, NASCAR, MLB) to air the programming over the contract period. Included in the table above is $10.0 billion payable to the NCAA over the 13 years remaining on the agreement, which does not include amounts recoupable from the other party to the agreement with the NCAA. The Networks segment also enters into licensing agreements with certain movie studios to acquire the rights to air movies. The pricing structures in these contracts differ in that certain agreements can require a fixed amount per movie while others are based on a percentage of the movie s box office receipts (with license fees generally capped at specified amounts), or a combination of both. The amounts included in the table represent obligations for movies that have been released theatrically as of December 31, 2011 and are calculated using the actual or estimated box office performance or fixed amounts, based on the applicable agreement.

(b) The Company s commitments under creative talent and employment agreements include obligations to executives, actors, producers, authors, and other talent under contractual arrangements, including union contracts and contracts with other organizations that represent such creative talent.

(c) Advertising, marketing and sponsorship obligations include minimum guaranteed royalty and marketing payments to vendors and content providers, primarily at the Networks and Filmed Entertainment segments.

(d) Other includes obligations related to the Company s postretirement and unfunded defined benefit pension plans, obligations to purchase general and administrative items and services, construction commitments primarily at the Filmed Entertainment segment, outsourcing commitments primarily at the Filmed Entertainment segment, obligations to purchase information technology licenses and services and payments due pursuant to technology arrangements.

Most of the Company s other long-term liabilities reflected in the accompanying Consolidated Balance Sheet have been incorporated in the estimated timing of cash payments provided in the summary of contractual obligations, the most significant of which is an approximate $1.029 billion liability for film licensing obligations. However, certain long-term liabilities and deferred credits have been excluded from the summary because there are no cash outflows associated with them (e.g., deferred revenue) or because the cash outflows associated with them are uncertain or do not represent a purchase obligation as it is used herein (e.g., deferred taxes, participations and royalties, deferred compensation and other miscellaneous items).

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Future Film Licensing Obligations

In addition to the purchase obligations previously discussed, the Company has certain future film licensing obligations, which represent studio movie deal commitments to acquire the right to air movies that will be released in the future (i.e., after December 31, 2011). These arrangements do not meet the definition of a purchase obligation since there are neither fixed nor minimum quantities under the arrangements. Because future film licensing obligations are significant to its business, the Company has summarized these arrangements below. Given the variability in the terms of these arrangements, significant estimates were involved in the determination of these obligations, including giving consideration to historical box office performance and studio release trends. Actual amounts, once known, could differ significantly from these estimates (millions).

	Total	2012	2013-2014	2015-2016	Thereafter
Future Film Licensing Obligations	$ 4,345	$ 486	$ 1,293	$ 1,463	$ 1,103

Contingent Commitments and Programming Licensing Backlog

The Company has certain contractual arrangements that would require it to make payments or provide funding if certain circumstances occur. In addition, the Company has contractual arrangements for the licensing of theatrical and television product for which the telecast period has not yet commenced and for which the Company has not yet recorded the related revenue. See Note 16, Commitments and Contingencies, to the accompanying consolidated financial statements for further discussion of these items.

Customer Credit Risk

Customer credit risk represents the potential for financial loss if a customer is unwilling or unable to meet its agreed upon contractual payment obligations. Credit risk in the Company s businesses originates from sales of various products or services and is dispersed among many different counterparties. At December 31, 2011, no single customer had a receivable balance greater than 5% of total Receivables. The Company s exposure to customer credit risk is largely concentrated in the following categories (amounts presented below are net of reserves and allowances):

- Various retailers for home entertainment product of approximately $982 million;
- Various television network operators for licensed TV and film product of approximately $2.7 billion;
- Various cable system operators, satellite service distributors, telephone companies and other distributors for the distribution of television programming services of approximately $1.3 billion; and
- Various advertisers and advertising agencies related to advertising services of approximately $1.4 billion.

For additional information regarding Time Warner s accounting policies relating to customer credit risk, refer to Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements.

MARKET RISK MANAGEMENT

Market risk is the potential gain/loss 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.

Interest Rate Risk

Time Warner has issued fixed-rate debt that at December 31, 2011 and 2010 had an outstanding balance of $19.251 billion and $16.276 billion, respectively, and an estimated fair value of $22.800 billion and $18.545 billion, respectively. Based on Time Warner s fixed-rate debt obligations outstanding at December 31, 2011, a

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TIME WARNER INC.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

25 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the fixed-rate debt by approximately $520 million. Such potential increases or decreases are based on certain simplifying assumptions, including a constant level of fixed-rate debt and an immediate, across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

At December 31, 2011 and 2010, the Company had a cash balance of $3.476 billion and $3.663 billion, respectively, which is primarily invested in variable-rate interest-earning assets. Based on Time Warner s variable-rate interest-earning assets outstanding at December 31, 2011, a 25 basis point increase or decrease in the level of interest rates would have an insignificant impact on pretax income.

Foreign Currency Risk

Time Warner principally uses foreign exchange contracts to hedge the risk related to unremitted or forecasted royalties and license fees owed to Time Warner domestic companies for the sale or anticipated sale of U.S. copyrighted products abroad because such amounts may be adversely affected by changes in foreign currency exchange rates. Similarly, the Company enters into foreign exchange contracts to hedge certain film production costs denominated in foreign currencies as well as other transactions, assets and liabilities denominated in foreign currencies. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, Time Warner hedges a portion of its foreign currency exposures anticipated over a rolling twelve-month period. The hedging period for royalties and license fees covers revenues expected to be recognized during the calendar year; however, there is often a lag between the time that revenue is recognized and the transfer of foreign-denominated cash to U.S. dollars. To hedge this exposure, Time Warner principally uses foreign exchange contracts that generally have maturities of three months to eighteen months and provide continuing coverage throughout the hedging period. At December 31, 2011 and 2010, Time Warner had contracts for the sale of $3.543 billion and $2.760 billion, respectively, and the purchase of $2.580 billion and $2.206 billion, respectively, of foreign currencies at fixed rates. The following provides a summary of foreign currency contracts by currency (millions):

	December 31, 2011		December 31, 2010	
	Sales	Purchases	Sales	Purchases
British pound	$ 915	$ 594	$ 612	$ 646
Euro	525	434	427	302
Canadian dollar	771	548	634	416
Australian dollar	676	474	587	534
Other	656	530	500	308
Total	$ 3,543	$ 2,580	$ 2,760	$ 2,206

Based on the foreign exchange contracts outstanding at December 31, 2011, a 10% devaluation of the U.S. dollar as compared to the level of foreign exchange rates for currencies under contract at December 31, 2011 would result in a decrease of approximately $95 million in the value of such contracts. Conversely, a 10% appreciation of the U.S. dollar would result in an increase of approximately $95 million in the value of such contracts. For a hedge of forecasted royalty or license fees denominated in a foreign currency, consistent with the nature of the economic hedge provided by such foreign exchange contracts, such unrealized gains or losses largely would be offset by corresponding decreases or increases, respectively, in the dollar value of future foreign currency royalty and license fee payments that would be received in cash within the hedging period from the sale of U.S. copyrighted products abroad. See Note 7 to the accompanying consolidated financial statements for additional discussion.

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Equity Risk

The Company is exposed to market risk as it relates to changes in the market value of its investments. The Company invests in equity instruments of public and private companies for operational and strategic business purposes. These securities are subject to significant fluctuations in fair market value due to the volatility of the stock markets and the industries in which the companies operate. At December 31, 2011 and 2010, these securities, which are classified in Investments, including available-for-sale securities in the accompanying Consolidated Balance Sheet, included $939 million and $883 million, respectively, of investments accounted for using the equity method of accounting, $204 million and $313 million, respectively, of cost-method investments, primarily relating to equity interests in privately held businesses, $591 million and $547 million, respectively, of investments related to the Company s deferred compensation program and $86 million and $53 million, respectively, of investments in available-for-sale securities.

The potential loss in fair value resulting from a 10% adverse change in the prices of the Company s equity-method investments, cost-method investments and available-for-sale securities would be approximately $125 million. While Time Warner has recognized all declines that are believed to be other-than-temporary, it is reasonably possible that individual investments in the Company s portfolio may experience an other-than-temporary decline in value in the future if the underlying investee company experiences poor operating results or the U.S. or certain foreign equity markets experience declines in value. In the fourth quarter of 2011, the Company recorded a $163 million noncash impairment related to its investment in CME. See Note 4 to the accompanying consolidated financial statements for additional discussion.

CRITICAL ACCOUNTING POLICIES

The Company s consolidated financial statements are prepared in accordance with U.S. GAAP, which requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management considers an accounting policy to be critical if it is important to the Company s financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by the management of Time Warner and the related disclosures have been reviewed with the Audit and Finance Committee of the Board of Directors of the Company. The Company considers policies relating to the following matters to be critical accounting policies:

- Impairment of Goodwill and Intangible Assets;
- Multiple-Element Transactions;
- Income Taxes;
- Film Cost Recognition, Participations and Residuals and Impairments;
- Gross versus Net Revenue Recognition; and
- Sales Returns and Pricing Rebates.

For a discussion of each of the Company s critical accounting policies, including information and analysis of estimates and assumptions involved in their application, and other significant accounting policies, see Note 1 to the accompanying consolidated financial statements.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance in connection with disc future operating or financial performance. Examples of forward-looking statements in this report include, but are not limited to, statements regarding (i) the adequacy of the Company s liquidity to meet its needs

TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

for the foreseeable future, (ii) the Company s international expansion plans, (iii) the expected incurrence of a pretax loss by the Publishing segment of approximately $40 million to $50 million in the first quarter of 2012 in connection with the sale of its school fundraising business, QSP, (iv) the anticipated lower growth rate for Advertising revenues at the Networks segment during 2012, (v) the anticipated decline in Operating Income at the Publishing segment in the first half of 2012 due primarily to expenses associated with investments related to its digital strategy and increases in production costs and (vi) anticipated continued softness in domestic magazine advertising and newsstand sales at the Publishing segment in the first quarter of 2012.

The Company s forward-looking statements are based on management s current expectations and assumptions regarding the Company s business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. The Company s actual results may vary materially from those expressed or implied in its forward-looking statements. Important factors that could cause the Company s actual results to differ materially from those in its forward-looking statements include government regulation, economic, strategic, political and social conditions and the following factors:

- recent and future changes in technology, services and standards, including, but not limited to, alternative methods for the delivery, storage and consumption of digital media and evolving home entertainment formats;
- changes in consumer behavior, including changes in spending behavior and changes in when, where and how they consume digital content;
- the popularity of the Company s content;
- changes in the Company s plans, initiatives and strategies, and consumer acceptance thereof;
- competitive pressures, including as a result of audience fragmentation and changes in technology;
- the Company s ability to deal effectively with economic slowdowns or other economic or market difficulties;
- changes in advertising market conditions or advertising expenditures due to, among other things, economic conditions, changes in consumer behavior, pressure from public interest groups, changes in laws and regulations and other societal or political developments;
- piracy and the Company s ability to exploit and protect its intellectual property rights in and to its content and other products;
- lower than expected valuations associated with the cash flows and revenues at Time Warner s segments, which could result in Time Warner s inability to realize the value of recorded intangible assets and goodwill at those segments;
- increased volatility or decreased liquidity in the capital markets, including any limitation on the Company s ability to access the capital markets for debt securities, refinance its outstanding indebtedness or obtain bank financings on acceptable terms;
- the effects of any significant acquisitions, dispositions and other similar transactions by the Company;
- the failure to meet earnings expectations;
- the adequacy of the Company s risk management framework;
- changes in U.S. GAAP or other applicable accounting policies;
- the impact of terrorist acts, hostilities, natural disasters (including extreme weather) and pandemic viruses;
- a disruption or failure of network and information systems or other technology on which the Company s businesses rely;
- the effect of union or labor disputes or player lockouts affecting the professional sports leagues whose programming is shown on the Company s networks;
- changes in tax, federal communication and other laws and regulations;
- changes in foreign exchange rates and in the stability and existence of the Euro; and
- the other risks and uncertainties detailed in Part I, Item 1A. Risk Factors, in this report.

TIME WARNER INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Continued)

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

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TIME WARNER INC.

CONSOLIDATED BALANCE SHEET

(millions, except per share amounts)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and equivalents	$ 3,476	$ 3,663
Receivables, less allowances of $1,957 and $1,978	6,922	6,596
Inventories	1,890	1,920
Deferred income taxes	663	581
Prepaid expenses and other current assets	481	561
Total current assets	13,432	13,321
Noncurrent inventories and film costs	6,594	5,985
Investments, including available-for-sale securities	1,820	1,796
Property, plant and equipment, net	3,963	3,874
Intangible assets subject to amortization, net	2,232	2,492
Intangible assets not subject to amortization	7,805	7,827
Goodwill	30,029	29,994
Other assets	1,926	1,418
Total assets	$ 67,801	$ 66,707
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,815	$ 7,809
Deferred revenue	1,084	991
Debt due within one year	23	26
Total current liabilities	8,922	8,826
Long-term debt	19,501	16,523
Deferred income taxes	2,541	1,950
Deferred revenue	549	296
Other noncurrent liabilities	6,334	6,167
Commitments and Contingencies (Note 16)		
Equity		
Common stock, $0.01 par value, 1.652 billion and 1.641 billion shares issued and 974 million and 1.099 billion shares outstanding	17	16
Paid-in-capital	156,114	157,146
Treasury stock, at cost (678 million and 542 million shares)	(33,651)	(29,033)
Accumulated other comprehensive loss, net	(852)	(632)
Accumulated deficit	(91,671)	(94,557)
Total Time Warner Inc. shareholders equity	29,957	32,940
Noncontrolling interests	(3)	5
Total equity	29,954	32,945

Total liabilities and equity	$ 67,801	$ 66,707

See accompanying notes.

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TIME WARNER INC.

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31,

(millions, except per share amounts)

	2011	2010	2009
Revenues:			
Subscription	$ 9,523	$ 9,028	$ 8,445
Advertising	6,116	5,682	5,161
Content	12,635	11,565	11,074
Other	700	613	708
Total revenues	28,974	26,888	25,388
Costs of revenues	(16,311)	(15,023)	(14,235)
Selling, general and administrative	(6,439)	(6,126)	(6,073)
Amortization of intangible assets	(269)	(264)	(280)
Restructuring and severance costs	(113)	(97)	(212)
Asset impairments	(44)	(20)	(85)
Gain (loss) on operating assets	7	70	(33)
Operating income	5,805	5,428	4,470
Interest expense, net	(1,210)	(1,178)	(1,166)
Other loss, net	(229)	(331)	(67)
Income from continuing operations before income taxes	4,366	3,919	3,237
Income tax provision	(1,484)	(1,348)	(1,153)
Income from continuing operations	2,882	2,571	2,084
Discontinued operations, net of tax			428
Net income	2,882	2,571	2,512
Less Net (income) loss attributable to noncontrolling interests	4	7	(35)
Net income attributable to Time Warner Inc. shareholders	$ 2,886	$ 2,578	$ 2,477
Amounts attributable to Time Warner Inc. shareholders:			
Income from continuing operations	$ 2,886	$ 2,578	$ 2,088
Discontinued operations, net of tax			389
Net income	$ 2,886	$ 2,578	$ 2,477
Per share information attributable to Time Warner Inc. common shareholders:			
Basic income per common share from continuing operations	$ 2.74	$ 2.27	$ 1.76
Discontinued operations			0.32
Basic net income per common share	$ 2.74	$ 2.27	$ 2.08
Average basic common shares outstanding	1,046.2	1,128.4	1,184.0

Diluted income per common share from continuing operations	$ 2.71	$ 2.25	$ 1.75
Discontinued operations			0.32
Diluted net income per common share	$ 2.71	$ 2.25	$ 2.07
Average diluted common shares outstanding	1,064.5	1,145.3	1,195.1
Cash dividends declared per share of common stock	$ 0.940	$ 0.850	$ 0.750

See accompanying notes.

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TIME WARNER INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31,

(millions)

	2011	2010	2009
Net income	$		