

TIME WARNER CABLE INC.  
Form DEFA14A  
January 30, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**TIME WARNER CABLE INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On January 30, 2014, the following materials were posted to Time Warner Cable Inc.'s website:

TWC Operational and Financial Plan  
January 30, 2014

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Forward-Looking Statements and Disclaimers

**ADDITIONAL INFORMATION**

Time Warner Cable expects to file a proxy statement with the U.S. Securities and Exchange Commission ( SEC ) and to provide a proxy statement to its security holders. **INVESTORS AND SECURITY HOLDERS OF TIME WARNER CABLE ARE URGED TO REVIEW THIS DOCUMENT AND ANY OTHER DOCUMENTS FILED BY TIME WARNER CABLE WITH THE SEC CAREFULLY IN CONNECTION WITH THE SOLICITATION WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders are able to obtain free copies of the definitive proxy statement (when available) and any other documents filed with the SEC by Time Warner Cable through the web site maintained by the SEC at <http://www.sec.gov>.

**CERTAIN INFORMATION REGARDING PARTICIPANTS**

Time Warner Cable and certain of its directors and executive officers may be deemed to be participants in a solicitation under the Securities Exchange Act of 1934 and the Securities Exchange Act of 1933, as amended, and the rules and regulations thereunder promulgated by the SEC. Security holders may obtain information regarding the names, affiliations and interests of Time Warner Cable's directors and executive officers in Time Warner Cable's Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on April 15, 2013, and its proxy statement for the 2013 Annual Meeting, which was filed with the SEC on April 4, 2013. These documents are available to be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in the solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in annual reports and other relevant materials to be filed with the SEC if and when they become available.

**FORWARD-LOOKING STATEMENTS AND DISCLAIMERS**

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Time Warner Cable intends that such forward-looking statements be covered by the safe harbor provisions of the federal securities laws. Statements herein regarding future financial performance, results and any other statements about future expectations constitute forward-looking statements. These forward-looking statements are identified by words such as believe, expects, anticipates, projects, intends, should, estimates or similar expressions. Forward-looking statements are based on management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. 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 operations of Time Warner Cable. More details regarding these factors may be found in filings by Time Warner Cable with the SEC, including its most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Time Warner Cable is under no obligation to, and expressly disclaims any such obligation to, update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise.

The materials herein may contain certain previously published third-party material. Unless otherwise indicated, consent of the third party for publication has not been obtained to use the material as proxy soliciting material.

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TWC is Well Positioned To Continue Generating  
Strong Operating Results And Financial Returns  
Strong foundation to deliver future results

The premier pure play cable company, serving 15 million customers via our advanced network

Strong track record of operational performance and capital allocation leading to significant value  
creation for shareholders

Meaningful operational momentum going into 2014

Three-year  
operational  
and  
financial  
plan  
will  
continue

to  
drive  
value  
for  
our  
shareholders  
over  
the  
near and long term

1.  
Revitalize residential services

2.  
Scale business services

3.  
Disciplined cost management

1.  
Improving reliability, quality and customer service

2.  
Differentiating products in ways that matter

3.  
Investing with an eye toward the future

Three overarching priorities

Three key elements of our plan

Initiatives launched in 2013 are resulting in meaningful primary service unit (PSU) and customer relationship momentum

3

TWC is the Premier Pure-Play Cable Company  
Industry Leading Business

15.0 million customers at 12/31/2013

14.4 million residential services

0.6 million business services

\$22.1  
billion of Revenue in 2013

\$18.4 billion residential services

\$2.3 billion business services

\$1.4 billion advertising & other

Well-situated to capitalize on future growth opportunities as a result of our robust network, operational expertise and financial flexibility

Ongoing product roll-outs and improvements, including:

Expanding WiFi network

IntelligentHome

TWC TV® apps (for iOS, Android , Roku , Samsung Smart TVs, Xbox 360 , Amazon Kindle Fire and Mac/PC)

Set-top boxes with cloud-based guide including VOD portal (2.8mm going to 6mm by end of 2014)

Cloud services for businesses  
Extensive Geographic Footprint

Well-clustered cable systems located in key geographic areas, including:

New York State

Southern California

Texas

The Carolinas

Midwest

50% Customer Relationship penetration

38% Video Penetration

39% HSD Penetration

17% Voice Penetration

Innovative Technology Pioneer

State-of-the-art network

Nationwide fiber backbone

Deep metro fiber assets

Increasing standard HSD speeds to 50x5 and top HSD speeds to 300x20 in 2014

860K commercial buildings on net (58K fiber connected buildings); 14K connected cell towers

Cutting-edge video services

Most advanced linear IP video product in industry, with up to 300 live linear channels and over 4,000 hours of VOD available via multiple platforms

Average of 183 HD channels per market

All digital in NYC; Augusta, ME; Parts of KY and IN; Parts of LA  
In the process of going all digital in other markets (including Los Angeles in 2014)

Recognized leader in technical innovation, including 8 Emmy® Awards for technology and engineering  
TWC-Serviced States

(1)

1.

Represents states where TWC has video customers.

4

With a Strong Track Record of Creating Significant Value for Shareholders

Since our spin-off from Time Warner Inc. in 2009, we have a demonstrated track record of successfully executing on our operating and financial plans, driving growth and creating value for our shareholders.

Since 2009, we have outperformed the market by ~3x.

Our share price has appreciated 431% and we have generated 464%

(7)

total return for our shareholders over the period through the end of 2013.

TWC

431%

S&P 500

144%

Revenue Growth

- (1)  
Adjusted  
OIBDA
- (2)  
Growth
- (1)  
Total Free Cash Flow
- (2)  
Total Dividends
- (5)  
Total Share Repurchases
- (6)  
Capital Expenditures
- (3)  
24%  
23%  
\$12.1 billion  
\$2.7 billion  
\$7.5 billion  
\$15.4 billion  
2009  
2013  
12/31/13  
Strategic Acquisitions
- (4)  
\$4.2 billion  
1/1/13  
1/1/12  
1/1/11  
1/1/10  
3/13/09  
--  
%  
100 %  
200 %  
300 %  
400 %  
500 %
- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

Source: Company filings, Capital IQ and Factset

Growth rates based on reported results from full year 2009 - 2013, including NaviSite results after 4/21/2011 and Insight results after 4/21/2011.

Refer to slides 26-28 for definitions, additional information and reconciliations for non-GAAP financial measures.

Represents capital expenditures as reported from Q1 2009 - Q4 2013, including NaviSite results after 4/21/2011 and Insight results after 4/21/2011.

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Includes Insight, NaviSite, NewWave and DukeNet (which closed on 12/31/2013).

Does not include special dividend of \$30.81 per share (after giving effect to the 1-for-3 reverse stock split) paid in 2009.

Includes share repurchases through 12/31/2013.

Calculated as share price of \$135.50 (as of 12/31/2013) less share price on date indicated plus total dividends per share issued on date indicated.

Represents share price from 3/13/2009, the first trading day after the spin-off from Time Warner Inc. on 3/12/2009.

Share Price

Share Price

Since:

Return

+ Dividends

(7)

Spin-off

(8)

431%

464%

1/1/2010

227%

248%

1/1/2011

105%

115%

1/1/2012

113%

121%

1/1/2013

39%

42%

5

We Have Made Significant Progress in 2013

Fine-tuning our residential offer strategy and improving retention capabilities

Now on almost 3 million set-top boxes; leading position among MSOs

In December, our customers used the TWC TV®

app on more than a million IP devices

Customer service enhancements

Business Services success

Capital returns milestone reached

Foundational work done in 2013 is beginning to drive subscriber momentum

PSU and customer relationship net adds improved sequentially each month in Q4 2013 and the trend

has continued into 2014

Accelerated the deployment of cloud-based guide

Further enhanced our TWC TV app, adding more content (linear and VOD) and adding the Amazon Kindle Fire platform

Initiatives such as one hour service windows and better customer education are already resulting in improvements in customer satisfaction

Delivered \$100 million of year-over-year revenue growth again in Q4 2013

\$2.5 billion run-rate revenue business (including DukeNet) poised to double to over \$5 billion annual revenue by 2018

Repurchased more than \$7.5 billion since the inception of our buyback program in 2010 over 25% reduction in shares outstanding

®

Video product enhancements

Continue to invest as we scale business services to over \$5 billion annual revenue by 2018

Continue to pursue operating efficiencies to offset continuing programming cost increases

Build on recent momentum and drive subscriber growth in the residential business through:

Three Key Elements of Our Plan

Revitalize

Residential Services

Scale Business

Services

Disciplined Cost

Management

6

Subscriber acquisition and retention efforts

Improved reliability and customer service

Continued roll out of next generation products

1.

2.

3.

7  
Revitalize Residential Services

8

Continued Focus on Acquisition and Retention

Efforts to Drive Subscriber Growth

Residential PSU Net Adds

Residential PSU Y-o-Y Trend

Residential Customer

Relationship Net Adds

Residential Video Net Adds

Residential HSD Net Adds

Residential Voice Net Adds

(156)

(52)

31

60

October

November

December

January

(151)

(66)

60

118

October

November

December

January

2013 - 2014

2012 - 2013

Improving Residential Performance Monthly Through January 2014 (000s)

Rebounding PSU Net Additions Going into 2014 (000s)

9

Improve Reliability and Customer Service

We're establishing rigorous new performance standards for our plant that allow us to deliver flawless video, phone and HSD, creating a direct positive impact on the customer experience

Our 2014 plant optimization initiatives include:

We're focused on delivering **more responsive service** and **faster resolution of issues**.

Key initiatives include:  
Reliability Initiatives  
Customer Service Initiatives  
Proactively address outside plant issues with node health reports  
prioritizing trouble nodes for maintenance  
Introduce a plant certification process to ensure that the plant is maintained proactively  
Remediate worst performing nodes  
Increase investment in overall plant maintenance  
One hour appointment windows

best-in-class service that only TWC provides  
Improved installation process focused on customer education, assistance installing apps, etc.  
Guaranteed home visit within 24 hours of reported service outage  
Escalated support for customers that call back within 72 hours of technical home visit  
TechTracker: providing technician's picture and phone number via text message to improve day of appointment customer communication (2014)  
Option for customers to speak with same agent as previous communication (2014)  
Offer fixed appointment times rather than appointment window for 20%+ of customer contacts (2014)  
We are already beginning to see the results of our customer service initiatives implemented in 2013

through  
improved  
customer  
metrics,  
including  
improved  
technician on-time arrival, increased calls answered in under 60 seconds and  
decline in dispatch rate

10  
Continue to Roll Out Next Generation Products  
The foundation of improving the residential customer experience is having the best products, most advanced technology and most user-friendly interface  
In addition to video products, we continue

to  
innovate  
and  
offer  
other  
differentiating  
products  
Our  
product  
offerings  
are  
underpinned  
by  
our  
focus  
on  
delivering  
the  
right  
products  
at  
the  
right  
price

New DVRs (6 tuners, 1 TB of storage), more HD channels and improved VOD capacity (75K hours)  
Deploy set-top boxes with cloud-based services to 6 million homes by YE2014 (currently 2.8 million homes)

VOD portal with rich box art, advanced search and more compelling DVR manager

Continue to grow TWC TV®-

our IP video app that is now available on Apple

iOS and Android

tablets and

smartphones, Roku

Streaming Players, Samsung

Smart TVs, Xbox 360

video game consoles, the Amazon

Kindle Fire

platform and on PC/Mac computers

In the home, the TWC TV®

app offers up to 300 live linear channels and over 4,000 hours of VOD

Outside the home, the TWC TV®

app offers live and on-demand content through an intuitive interface

wherever customers are, with up to 24 live channels and 1,200 hours of VOD content from 40 networks

Aggressively expand community WiFi availability beyond the more than 200K Cable Wi-Fi®

hotspots currently available to

TWC customers

Continue to drive penetration of IntelligentHome and add new features and functionality

Provide pricing / packaging more focused on meeting each customer's needs

Offer stable high-value packages to drive long-term profits and customer satisfaction

Move toward customer-centric pricing and away from product-centric pricing (increases transparency and clearly frames value proposition)

Augment main bundled offerings with packages that target specific strategic markets (i.e., aggressively market to value-oriented DSL customers with a 2X1 HSD plan for \$14.99/month, gaining HSD customers we wouldn't have otherwise had)

11

Raising the Bar with TWC Maxx  
Rebranding TWC experience  
progressively across the footprint  
as we implement TWC Maxx  
Significantly higher speeds  
loyalty upgrades (e.g., Ultra  
moving to 300x20, Standard  
to 50x5)  
State-of-the-art in-home

WiFi

Continued deployment of  
community WiFi hotspots

Service appointments, same day  
service

TechTracker to identify exact  
location and estimated arrival  
time

Video chat support

Replace standard definition set-top  
boxes with new HD boxes at no cost  
to the customer

Plant certification program

Carry all video in crystal clear  
digital format only

TWC

Maxx

is

a

reinvention

of

TWC

city

by

city,

starting

with

NYC

and

LA

in

2014.

We

will

roll out these initiatives across 75% of our footprint in 2015 and 2016

Ultra-fast

HSD

Re-Branding

Better

Video

Service

Differentiation

12  
Scale Business Services

13

TWC is Already a World Class Business Services  
Provider

860,000 on-net buildings

58,000 connected with fiber

14,000 connected cell towers

Scalable, fully protected and redundant independent fiber  
infrastructure

Dedicated local teams (sales, care and operations)

Award winning indirect channel program

Flexible products, services and solutions designed for each customer segment served

Cloud and Managed service offerings via NaviSite

Fiber

Route

Miles

(000s)

(2)

LTM Business Services Revenue

(\$

in

billions)

(1)

Fiber

Connected

Buildings

(000s)

(2)

Unique Infrastructure and Capabilities

Extensive Network Infrastructure

Best-in-class Capabilities

Significant Scale within the Industry

Source: Company filings, Company websites, Telecom Ramblings.

1.

TWC Business Services LTM Revenue as of Q4 2013 and excludes DukeNet. All other companies LTM revenue as of Q3 2013

2.

Sourced from the most recent public reporting available. Charter and Level 3 fiber connected buildings sourced from Telecom

Extensive Capabilities Aligned by Segment

Business Class Voice with  
web-based management  
portal

PRI

SIP Trunks

Toll free Service

Internet access

WiFi services

Ethernet Solutions

IP VPN

Managed Router

Cell Tower Backhaul

Carrier Access

Colocation

Cloud Services (IaaS)

Desktop-as-a-Service  
(DaaS)

Managed Hosting

Managed Applications

Managed Security

Cable TV

Set Back Box

Pro:Idiom (Hospitality)

IP TV

Telehealth  
Small

Best-in-class products  
bundled to offer value

Wide range of product  
tiers and packages with  
flexible options

Ranked #1 in Customer  
Loyalty  
by Frost &

Sullivan 2012  
650 sales professionals  
Mid-market

Best-of-breed  
connectivity solutions  
with standard-based  
solutions (MEF CE 2.0)

Vertical SMEs and  
industry-specific  
solutions

Industry leading video  
solutions  
663 sales professionals  
Enterprise

Tailored solutions  
portfolio of IT and  
telecom services

Dedicated account  
teams for high touch  
support

J.D. Power 2013  
Highest in Customer  
Satisfaction with Large  
Enterprise Business  
Wireline Service  
191 sales professionals  
Carrier

Servicing five largest  
Mobile Network  
Operators

Dedicated Carrier  
Network Operations  
Center (NOC)

Carrier-grade Service  
Level Agreements (SLAs)  
35 sales professionals

1.  
Sales professionals as of January 2014.

14  
Comprehensive Product and Solutions Portfolio  
Expansive Focus Across Customer Segments

(1)  
Voice  
Video  
Data  
Cloud &  
Managed Hosting

15

Three-Pronged Growth Strategy to Exceed \$5 Billion  
Revenue by 2018 and Scale for Continued Growth

Scale our business of serving small businesses:

Improving win rates via product enhancements

Increase ARPU with broadened offerings

Greater network reach to create new opportunities

Move up market, replicating the success we already have with smaller businesses by:

Offering an equally compelling portfolio of services for larger businesses, including new voice products, enhanced Ethernet services and new managed network solutions

Introducing new, industry-specific solutions for key verticals such as Healthcare and Hospitality

Enhancing NaviSite's Cloud and Managed Services portfolio and coupling it more tightly with the network

Continuing to invest in fiber-connected buildings

Grow the carrier business by:

Streamlining our sales and operational processes

Increasing our cell tower backhaul revenues

Serving new and emerging needs such as wholesale last mile access and small cell

We have a greater than \$20 billion telecom market opportunity, with significant additional opportunity in cloud and managed services

Scale Small Business

Move Upmarket

Grow the Carrier

Business

16  
2014  
2016 Financial Plan

Note: The following slides contain forward-looking statements including projections presented to the Board of Directors. 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 operations of Time Warner Cable.

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Investments Supporting the Key Elements of our  
Plan

Reclaim bandwidth, improve network reliability, deploy  
advanced customer equipment and significantly improve  
customer service

Roll out TWC Maxx to approximately 75% of our footprint,  
offering the most advanced residential experience in the  
market

Further develop infrastructure to advance growth in business services, including bringing more buildings onto our network, activating more cell towers and increasing fiber lit buildings

Automate, standardize and centralize as part of our One TWC reorganization  
Revitalize Residential Services  
Scale Business Services  
Disciplined Cost Management

### Key Operating Investments

Invest in major initiatives to improve plant performance

Cease carriage of remaining analog video signals and reclaim bandwidth

Roll out next generation set-top boxes and advanced wireless gateways; replace older gear

Continue to build new passings

Continue to invest in infrastructure to increase

HSD speeds

Continue to roll out community WiFi hotspots

Add ~\$1.3 billion serviceable revenue opportunity per year

Increase commercial line extension spending to over \$500 million per year

Add 75K buildings to network in 2014 and 240K through 2016

Activate 3K towers in 2014

driving increasing carrier growth

Continue to expand highly differentiated product offering to SMB customers

Leverage investment in SMB products to move up market and create increasingly relevant products for large enterprises

18

Our plan will require an increase in total annual capital spending to

\$3.7

-

\$3.8

billion

a

year

over

the

next

three

years

Residential Services

Business Services

Disciplined Cost Management and Execution

Streamline cost structure by centralizing and eliminating duplication as part of our One TWC reorganization

Improve voice costs as we finish our multi-year transition from relying on Sprint to insourcing provisioning and interconnection of voice services

Reduce technical operations and service costs through reduced call volume and truck rolls

Optimize business services costs through automation and standardization of processes

Pursue additional opportunities to reduce G&A costs

Total expense growth of 5% CAGR from 2013 to 2016; excluding programming and business services costs, expenses are projected to grow 2% CAGR from 2013 to 2016

We plan to convert roughly 40% of incremental revenue into Adjusted OIBDA, which would result in ~50bps of margin expansion from 2013 to 2016

Note: Refer to slides 26-28 for definitions, additional information and reconciliations for non-GAAP financial measures.

19  
We are committed to operating efficiently and reducing costs, with several strategies to expand Adjusted OIBDA margin despite programming cost headwinds

20

Financial Plan: Significantly Improve Revenue and

Adjusted OIBDA Trends

Revenue

Adjusted OIBDA

\$

in

billions

% Margin

36.1%

36.6%

36.4%

Overall Company:

Generate annual revenue and Adjusted OIBDA of \$25.7 billion and \$9.4 billion, respectively, by 2016

Generate mid-to high-single digit revenue and Adjusted OIBDA growth in 2016

Continue cost reduction and operating efficiency strategies to preserve Adjusted OIBDA margin despite programming cost headwinds

Residential Services:

Accelerate annual revenue growth from 1% in 2014 to 4% by 2016

Majority of residential revenue growth from volume as opposed to rate increases

Business Services:

Grow revenue at or slightly below 20% a year as we continue to realize the benefits of capital investments

Note: Refer to slides 26-28 for definitions, additional information and reconciliations for non-GAAP financial measures.

\$8.0

\$8.4

\$9.4

2013A

2014P

2016P

\$23.1

\$22.1

\$25.7

2013A

2014P

2016P

Comments

\$

in

billions

Continued Focus on Delivering Value  
to Shareholders

Growing  
Adjusted  
OIBDA  
creates  
meaningful  
balance  
sheet  
capacity  
over  
the  
next  
three  
years

Based on our expected results and 3.25x leverage target, our expectation is that over the next three years we can generate more than \$12 billion cumulative financial capacity, including approximately \$7.5 billion from Free Cash Flow, available for:

Dividends

Share repurchases

Strategic M&A opportunities

Accelerating

Adjusted

OIBDA

growth

creates

significant

financial

capacity

and

greater opportunity to return value to shareholders

Note: Refer to slides 26-28 for definitions, additional information and reconciliations for non-GAAP financial measures.

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Revenue  
Expectations

Reported Revenue Growth in the 4%-5% range

Adjusted OIBDA growth in the 5%-6% range

Approximately \$100 million in political revenue in 2014  
Expense  
Expectations  
Cash

Flow  
/  
Shareholder  
Returns  
Expectations  
2014: A Year of Stabilization and Growth  
2014 Guidance  
22

Over  
\$175  
million  
reduction  
in  
our  
voice  
costs  
as  
we  
complete  
our  
GIA  
migration

Low double digit growth in programming costs per sub

\$100 million for TWC Maxx roll out and plant maintenance initiatives

Launch of Dodgers Network

\$3.7 billion capital expenditures

Flat Free Cash Flow compared to 2013 (\$2.6 billion)

Flat share repurchases compared to 2013 (\$2.5 billion)

Dividend increased to \$3 per share

23  
Conclusion

Conclusion

We have a history of leadership, product innovation and consistent investment

Our operational and financial plan, underpinned by a customer-centric and performance-based culture, will continue to drive value for our shareholders over the near and long term

Three year operating plan:

2016 revenue of \$25.7 billion (5.4% 2014-16 CAGR)

2016 Adjusted OIBDA of \$9.4 billion (5.7% 2014-16 CAGR)

We  
will  
balance  
investment,  
acquisition

and  
return  
of  
capital  
to  
continue  
producing  
long-term  
shareholder  
value creation

We have the right team and a strategic plan to deliver strong long-term, sustainable results  
TWC is committed to achieving operational excellence and delivering strong  
financial performance in order to maximize value to our shareholders

Note: Refer to slides 26-28 for definitions, additional information and reconciliations for non-GAAP financial measures.

1.  
Revitalize residential services
  2.  
Scale business services
  3.  
Disciplined cost management
  1.  
Improving reliability, quality and customer service
  2.  
Differentiating products in ways that matter
  3.  
Investing with an eye toward the future
- Three overarching priorities  
Three key elements of our plan

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Non-GAAP Financial Measures and  
Reconciliation Schedules  
25

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### Non-GAAP Financial Measures

In discussing its performance, the Company may use certain measures that are not calculated and presented in accordance with accounting principles ( GAAP ). These measures include OIBDA, Adjusted OIBDA, Adjusted OIBDA less capital expenditures. The Company defines as follows:

OIBDA (Operating Income before Depreciation and Amortization) means Operating Income before depreciation of tangible and intangible assets.

Adjusted OIBDA means OIBDA excluding the impact, if any, of noncash impairments of goodwill, intangible and fixed assets; sales; merger-related and restructuring costs; costs associated with certain equity awards granted to employees to offset value loss from TWC's separation from Time Warner Inc. on March 12, 2009; and, in 2014, expenses associated with unsolicited proposals to acquire TWC.

Adjusted OIBDA less capital expenditures means Adjusted OIBDA minus capital expenditures.

Free Cash Flow means cash provided by operating activities (as defined under GAAP) excluding the impact, if any, of cash provided by discontinued operations, plus (i) any income taxes paid on investment sales and (ii) any excess tax benefit from equity-based compensation, less capital expenditures, (ii) cash paid for other intangible assets (excluding those associated with business combinations), (iii) payments to third parties and (iv) principal payments on capital leases.

Management uses OIBDA and Adjusted OIBDA, among other measures, in evaluating the performance of the Company's business. The effects of (i) considerable amounts of noncash depreciation and amortization and (ii) items not within the control of the Company's managers (such as income tax provision, other income (expense), net, and interest expense, net). Adjusted OIBDA further eliminates noncash items identified in the definition of Adjusted OIBDA above. Adjusted OIBDA less capital expenditures also allows management to evaluate performance including the effect of capital spending decisions. Adjusted OIBDA and Adjusted OIBDA less capital expenditures are performance measures used in the Company's annual incentive compensation programs. Management believes that Free Cash Flow is an indicator of the Company's ability to generate cash, reduce net debt, pay dividends, repurchase common stock and make strategic investments, payment of cash taxes, interest and other cash items. In addition, all of these measures are commonly used by analysts, investors and other interested parties to evaluate the Company's performance and liquidity.

These measures have inherent limitations. For example, OIBDA and Adjusted OIBDA do not reflect capital expenditures or the amortization of capitalized assets used in generating revenue. To compensate for such limitations, management evaluates performance through OIBDA, Adjusted OIBDA, capital expenditures and Free Cash Flow, which reflect capital expenditure decisions, and net income attributable to TWC shareholders, less periodic costs of capitalized assets. Adjusted OIBDA and Adjusted OIBDA less capital expenditures do not reflect any of the items excluded from the definition of Adjusted OIBDA above. To compensate for these limitations, management evaluates performance through OIBDA, Adjusted OIBDA and Adjusted OIBDA less capital expenditures, which do reflect such items. OIBDA, Adjusted OIBDA and Adjusted OIBDA less capital expenditures do not reflect costs borne by the Company for income taxes and debt servicing costs, the results of the Company's equity investments and other income or expense. Management compensates for these limitations by using other analytics such as a review of net income attributable to TWC shareholders, Cash Flow, a liquidity measure, does not reflect payments made in connection with investments and acquisitions, which reduce net income. To compensate for this limitation, management evaluates such investments and acquisitions through other measures such as return on investment and cash flow. These non-GAAP measures should be considered in addition to, not as substitutes for, the Company's Operating Income, net income and cash flow to TWC shareholders and various cash flow measures (e.g., cash provided by operating activities), as well as other measures of financial performance reported in accordance with GAAP, and may not be comparable to similarly titled measures used by other companies.

Reconciliations of Non-GAAP Financial Measures

Reconciliation of Adjusted OIBDA and OIBDA to Operating Income (\$ in millions):

%

2009

2013

Change

Adjusted OIBDA

6,492

\$

7,980

\$

22.9%

Separation-related make-up equity award costs

(9)

-

(100.0%)

Merger-related and restructuring costs

(81)

(119)

46.9%

OIBDA

6,402

7,861

22.8%

Depreciation

(2,836)

(3,155)

11.2%

Amortization

(249)

(126)

(49.4%)

Operating Income

3,317

\$

4,580

\$

38.1%

Reconciliation of Cash provided by operating activities to Free Cash Flow  
from January 1, 2009 through December 31, 2013 (\$ in millions):

Cash provided by operating activities

27,363

\$

Add:

Income taxes paid on investment sales

84

Excess tax benefit from equity-based compensation

241

Less:

Capital expenditures

(15,391)

Cash paid for other intangible assets  
(170)

Other  
(22)

Free Cash Flow

12,105

\$

Year Ended December 31,

27

28  
Reconciliations of Non-GAAP Financial Measures  
(\$ in millions)  
28  
Year Ended  
December 31,  
2013  
Adjusted OIBDA  
7,980  
\$  
Merger-related and restructuring costs  
(119)  
Depreciation  
(3,155)  
Amortization  
(126)  
Operating Income  
4,580  
\$  
Revenue  
22,120

\$  
Adjusted OIBDA as a percentage of revenue  
36.1%  
Cash provided by operating activities  
5,753  
\$  
Increase in absolute dollar amount  
Add:  
Excess tax benefit from equity-based compensation  
93  
Less:  
Capital expenditures  
(3,198)  
Cash paid for other intangible assets  
(40)  
Similar amount in 2014; Unable to estimate for 2015 and 2016  
Other  
(2)  
Unable to estimate  
Free Cash Flow  
2,606  
\$  
Similar amount in 2014, with 2014 to 2016 cumulative Free Cash Flow approximating \$7.5 billion  
Reconciliation of Long-Term Expectations  
Expected to be approximately \$3.7 billion in 2014 and ranging from \$3.7 billion to \$3.8 billion in each of 2015 and 2016  
5% to 6% growth in 2014, increasing to \$9.4 billion in 2016  
Unable to estimate  
Increase in absolute dollar amount  
Increase in absolute dollar amount  
Increase in absolute dollar amount  
4% to 5% growth in 2014, increasing to \$25.7 billion in 2016  
Expected to increase slightly in 2014, reaching 36.6% by 2016  
Increase in absolute dollar amount