

TIME WARNER CABLE INC.
Form 10-K
February 17, 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 001-33335

TIME WARNER CABLE INC.

(Exact name of registrant as specified in its charter)

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

60 Columbus Circle

New York, New York 10023

(Address of principal executive offices) (Zip Code)

(212) 364-8200

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

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(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, par value \$0.01	New York Stock Exchange
5.750% Notes due 2031	New York Stock Exchange

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

None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of the close of business on February 15, 2012, there were 314,086,417 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 \$25.6 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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Time Warner Cable Inc. (together with its subsidiaries, TWC® or the Company) is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas: New York State (including New York City), the Carolinas, Ohio, Southern California (including Los Angeles) and Texas. As of December 31, 2011, TWC served approximately 14.5 million customers who subscribed to one or more of its three primary services, totaling approximately 27.1 million primary service units.

TWC offers its residential and business services customers video, high-speed data and voice services over its broadband cable systems. TWC's business services also include networking and transport services (including cell tower backhaul services) and, through its wholly owned subsidiary, NaviSite, Inc. (NaviSite), managed and outsourced information technology (IT) solutions and cloud services. TWC also sells advertising to a variety of national, regional and local customers.

TWC markets its services separately and in bundled packages of multiple services and features. As of December 31, 2011, 60.4% of TWC's customers subscribed to two or more of its primary services, including 26.5% of its customers who subscribed to all three primary services.

Recent Developments***Wireless-related Agreements***

On December 2, 2011, SpectrumCo, LLC (SpectrumCo), a joint venture between TWC, Comcast Corporation (Comcast) and Bright House Networks, LLC (Bright House) that holds advanced wireless spectrum (AWS) licenses that cover 20MHz over 80% of the continental U.S. and Hawaii, entered into an agreement pursuant to which SpectrumCo will sell its AWS licenses to Cellco Partnership (doing business as Verizon Wireless), a joint venture between Verizon Communications Inc. (Verizon) and Vodafone Group Plc, for \$3.6 billion in cash. Upon closing, TWC, which owns 31.2% of SpectrumCo, will be entitled to receive approximately \$1.1 billion. This transaction, which is subject to certain regulatory approvals and customary closing conditions, is expected to close during 2012. On February 9, 2012, Comcast and Verizon Wireless received a Request for Additional Information and Documentary Materials from the U.S. Department of Justice in connection with their required notification filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the Hart-Scott-Rodino Act).

Separately, on December 2, 2011, TWC, Comcast, Bright House and Verizon Wireless also entered into agency agreements that will allow the cable companies to sell Verizon Wireless-branded wireless service, and Verizon Wireless to sell each cable company's services. After a four-year period, subject to certain conditions, the cable companies will have the option to offer wireless service under their own brands utilizing Verizon Wireless network. In addition, the parties entered into an agreement that provides for the creation of an innovation technology joint venture to better integrate wireless and cable services. On January 13, 2012, TWC received a civil investigative demand from the U.S. Department of Justice requesting additional information about these agreements. See Management's Discussion and Analysis of Results of Operations and Financial Condition Overview Recent Developments Wireless-related Agreements and Note 7 to the accompanying consolidated financial statements for additional information.

Acquisitions

On August 15, 2011, TWC entered into an agreement (the Merger Agreement) with Insight Communications Company, Inc. (Insight) and a representative of its stockholders to acquire Insight and its subsidiaries, which operate cable systems in Kentucky, Indiana and Ohio that then served subscribers representing approximately 1.5 million primary service units. Insight reported revenues of approximately \$1.1 billion for the year ended December 31, 2010. Pursuant to the Merger Agreement, a subsidiary of TWC will merge with and into Insight, with Insight surviving as a direct wholly owned subsidiary of the Company. TWC agreed to pay \$3.0 billion in cash for Insight, as reduced by Insight's indebtedness for borrowed money and similar obligations (including amounts outstanding under Insight's credit agreement and senior notes due 2018, which totaled approximately \$1.8 billion as of the date of the Merger Agreement). The purchase price is subject to customary adjustments, including a reduction to the extent the number of Insight's video subscribers at the closing is less

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than an agreed upon threshold, as well as a working capital adjustment. The Company has obtained all necessary regulatory approvals and expects the transaction to close by the end of the first quarter of 2012; however, there can be no assurances that the transaction will close or, if it does, that the Company will realize the potential financial and operating benefits of the transaction. See Management's Discussion and Analysis of Results of Operations and Financial Condition Overview Recent Developments Acquisitions and Note 6 to the accompanying consolidated financial statements for additional information.

On November 1, 2011, TWC completed its acquisition of certain NewWave Communications (NewWave) cable systems in Kentucky and western Tennessee for \$259 million in cash. The financial results for the NewWave cable systems, which served subscribers representing 138,000 primary service units as of the acquisition date, have been included in the Company's consolidated financial statements from the acquisition date. See Management's Discussion and Analysis of Results of Operations and Financial Condition Overview Recent Developments Acquisitions and Note 6 to the accompanying consolidated financial statements for additional information.

Additionally, during 2011, TWC completed two acquisitions of cable systems in Texas and Ohio serving subscribers representing a total of 26,000 primary service units for \$38 million in cash.

Caution Concerning Forward-Looking Statements and Risk Factors

This Annual Report on Form 10-K includes certain 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 and are inherently susceptible to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic, business, competitive, technological, strategic and/or regulatory factors and other factors affecting the operation of TWC's business. For more detailed information about these factors, and risk factors with respect to the Company's operations, see Item 1A, Risk Factors, below and Caution Concerning Forward-Looking Statements in Management's Discussion and Analysis of Results of Operations and Financial Condition in the financial section of this report. TWC is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of such changes, new information, subsequent events or otherwise.

Available Information and Website

Although TWC and its predecessors have been in the cable business for over 40 years in various legal forms, Time Warner Cable Inc. was incorporated as a Delaware corporation on March 21, 2003. TWC'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 (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.timewarnercable.com as soon as reasonably practicable after such reports are electronically filed with the SEC (www.sec.gov).

Services

TWC offers its residential and business services customers video, high-speed data and voice services over its broadband cable systems. TWC's business services also include networking and transport services and, through its wholly owned subsidiary, NaviSite, managed and outsourced IT solutions and cloud services. TWC also sells advertising to a variety of national, regional and local customers.

Residential Services

Video Services

TWC offers a broad range of residential video services designed to give customers access to any content that it offers, any time they want it, and, increasingly, anywhere they are and on any device they choose. As of December 31, 2011, TWC served approximately 11.9 million residential video subscribers.

Any content. TWC offers various tiers and packages of residential video programming and music services ranging from a basic service tier with approximately 15 channels to a full set of digital packages with over 400 channels. TWC tailors its residential video programming tiers and packages to appeal to specific groups of existing and potential customers. It offers

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specialty tiers of genre-based programming, such as the Family Choice Tier, Time Warner Cable Movie Pass and Time Warner Cable Sports Pass, as well as packages such as El Paquetazo®, with English and Spanish-language channels designed to appeal to Hispanics, and Time Warner Cable TV Essentials, which targets budget-conscious customers. TWC’s residential video subscribers may also purchase premium channels, such as HBO®, Showtime®, Starz® and Cinemax®.

TWC offers residential video subscribers, on average, approximately 140 high definition (HD) channels, including the major broadcast networks, leading national cable networks, premium channels and regional sports networks, as well as a large selection of Video On Demand (VOD) programming in HD. During 2011, TWC also began to offer select programming in a three-dimensional or 3D format.

TWC’s video subscribers pay a monthly fee based on the video programming tier or package they receive. Subscribers to specialized tiers and premium channels are charged an additional monthly fee, with discounts generally available for the purchase of packages of more than one such service. HD simulcasts are generally provided at no additional charge, and additional charges generally apply only for packages of HD channels that do not have standard-definition counterparts. The rates TWC can charge for its basic service tier and certain video equipment, including set-top boxes, in areas not subject to effective competition are subject to regulation under federal law. As of December 31, 2011, the Federal Communications Commission (the FCC) has determined that approximately 75% of the communities TWC serves are subject to effective competition. See Regulatory Matters below.

Any time. TWC provides a broad range of advanced services, such as VOD, digital video recorder (DVR) and Start Over® and Look Back® services that provide residential video subscribers with the ability to control when they watch their favorite programming.

TWC’s VOD service provides residential video subscribers with free access to a wide selection of movies, programming from broadcast and cable networks, music videos, local programming and other content. TWC’s VOD service also offers a wide selection of featured movies and special events on a pay-per-view basis. In addition, premium channel (e.g., HBO) subscribers generally have access to the premium channel’s VOD content without additional fees.

TWC offers equipment with DVR functionality that enables residential video subscribers to pause and/or rewind live television programs and record programs for future viewing. Subscribers pay an additional monthly fee for TWC’s DVR service. As of December 31, 2011, 51.8%, or approximately 4.7 million, of TWC’s residential and business services digital video subscribers subscribed to its DVR service. TWC also offers Whole House DVR, a multi-room DVR service, which allows a program recorded on a DVR to be watched on any connected television in a customer’s home. In addition, TWC offers remote DVR management, which provides customers with the ability to view television listings and program their DVRs via a computer or alternative device, such as a smartphone or tablet.

TWC also offers Start Over, which enables digital video subscribers using a TWC-provided set-top box to restart select in progress programs directly from the relevant channel and Look Back, which extends the window for viewing a program to 72 hours after it has aired. Start Over and Look Back are available in nearly all of TWC’s service areas.

Any device. During 2011, TWC launched the TWC TV™ application or app for the iPad, and, during the first quarter of 2012, it launched a similar app for the iPhone®. Both apps enable video subscribers to watch live cable channels on their iPad or iPhone on their premises and to use their device as a remote control with the ability to search program listings by title, impose parental controls and change television channels on compatible TWC set-top boxes. These apps also enable video subscribers to manage their DVR remotely. During 2011, TWC also launched the TWC TV app for Android™ smartphones and tablets, which provides customers with similar remote control and DVR management functions as the iPad and iPhone apps, and the Company expects to make live programming available for on-premise viewing on its Android app in 2012. In addition, during 2012, TWC expects to make live programming available on a variety of new devices in the home via TWC TV apps or web portal, including personal computers, games consoles and certain models of Internet-ready televisions, and to make VOD content available on all of these devices.

Anywhere. TWC also enables video subscribers to watch certain content wherever they are connected to the Internet. TWC offers online access to ESPN®, ESPN2®, ESPN3®, ESPNU® and ESPN Buzzer Beater® to customers who subscribe to a video tier that includes ESPN, and it offers TWC Sports Pass video subscribers authenticated online access to the Big Ten Network® and Speed2®. During the first quarter of 2012, TWC also began offering access to HBO GO® and Max GO® to customers who subscribe to those video services, without any additional fees. During 2012, TWC expects to make additional programming available to its video subscribers wherever they are connected to the Internet.

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High-speed Data Services

TWC's high-speed data services provide residential services customers with a fast, always-on connection to the Internet. Residential high-speed data subscribers generally pay a fixed monthly fee based on the level of service received. As of December 31, 2011, TWC served approximately 10.0 million residential high-speed data subscribers.

TWC offers multiple tiers of high-speed data service providing various service speeds and other attributes tailored to meet the different needs of its subscribers. Utilizing DOCSIS 3.0 technology, TWC offers Wideband and Extreme to subscribers in the majority of its service areas. Wideband, TWC's highest speed tier, offers subscribers speeds of up to 50 megabits per second or Mbps downstream and up to 5 Mbps upstream. TWC also offers Turbo, Standard, Basic and Lite tiers in all of its service areas. Turbo offers subscribers speeds of up to 20 Mbps downstream and up to 2 Mbps upstream. In the majority of its service areas, TWC provides Turbo and Standard subscribers with PowerBoost at no additional charge, which allows users to initiate brief download speed bursts when TWC's network capacity permits.

TWC's residential high-speed data service provides communication tools and personalized services, including email, PC security, parental controls and online radio, without any additional charge. The Roadrunner.com portal provides access to content and media from local, national and international providers and topic-specific channels, including entertainment, dating, games, news, sports, travel, music, movie listings, shopping, ticketing and coupon sites.

In addition to TWC's high-speed data service, most of TWC's cable systems offer the Earthlink high-speed data service.

To enhance its traditional high-speed data service offerings, TWC began deploying WiFi access points in high-traffic locations across Los Angeles during 2011. The WiFi network is available to TWC high-speed data subscribers for no additional charge and to non-TWC high-speed data subscribers for a fee. In the New York metropolitan area, each of TWC, Cablevision Systems Corporation (Cablevision) and Comcast has deployed WiFi access points to some degree and each offers free access to the other's high-speed data subscribers. TWC expects to deploy additional WiFi access points in Los Angeles and the New York metropolitan area as well as in other cities during 2012.

TWC also expects to begin offering wireless mobile broadband services provided by Verizon Wireless during the first half of 2012. See Recent Developments above for additional information.

Voice Services

TWC's residential voice service, Digital Home Phone, offers residential services customers unlimited local and long distance calling throughout the U.S., Canada and Puerto Rico, together with a variety of calling features, including call waiting, call forwarding, caller ID and distinctive ring, for a fixed monthly fee. TWC also offers a number of plan options that are designed to meet customers' particular needs, including local-only, unlimited in-state and international calling plans. As of December 31, 2011, TWC served approximately 4.5 million residential voice subscribers. TWC also provides a free web portal, VoiceZone™, which allows voice subscribers to customize their service features, set up caller ID on PC and block unwanted calls. Customers taking TWC's voicemail service may also use VoiceZone to listen to, download and email their messages at no additional charge.

Business Services

TWC offers high-speed data, networking and transport, voice and video services to businesses marketed under the Time Warner Cable Business Class® brand. With its acquisition of NaviSite on April 21, 2011, TWC also offers a range of managed and outsourced IT solutions and cloud services.

High-speed Data, Networking and Transport Services

TWC offers business services customers a variety of high-speed data, networking and transport services.

High-speed data service. TWC provides shared high-speed Internet access service to small businesses with speeds of up to 15 Mbps downstream and up to 2 Mbps upstream and, in several of its service areas, up to 50 Mbps downstream and up to 5 Mbps upstream with Wideband (Shared Internet Access). TWC also provides even faster speeds through its dedicated high-speed Internet access to various-sized businesses through a fiber connection to the Internet (Dedicated Internet Access). The downstream and upstream speeds for Dedicated Internet Access are generally up to 10 Gigabits per

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second or Gbps. Customers may add to their Shared Internet Access or Dedicated Internet Access certain additional services, including managed storage, a domain name search service, a static Internet Protocol or IP address, web hosting and personal and managed data security. Local account personnel are available to assist customers in designing high-speed data services to meet their specific business needs.

High-speed data services are provided to business services customers at prices based on the services received. As of December 31, 2011, TWC served 390,000 business high-speed data subscribers.

Commercial networking and transport services. TWC offers Metro Ethernet service that enables business services customers to connect their geographically dispersed locations with speeds up to 10 Gbps. TWC's Metro Ethernet service can also extend the reach of the customer's local area network or LAN within and between metropolitan areas.

In addition, TWC offers cell tower backhaul services to wireless telephone providers, and transport to Internet service providers and competitive carriers on a wholesale basis.

Voice Services

TWC offers its voice services, Business Class Phone and Business Class PRI, to a broad range of businesses. Business Class Phone is a multi-line voice service, which provides various calling plans, along with other key business features, such as call restrictions and three-way call transfer. TWC also offers Business Class PRI, which is designed for medium and enterprise-sized businesses and supports up to twenty-three simultaneous voice calls on each two-way trunk line. TWC provides voice services to business services subscribers at prices based on the services received. As of December 31, 2011, TWC served 163,000 business voice subscribers.

Video Services

TWC offers businesses a full range of video programming tiers and music services. Packages are designed with a wide variety of options to meet the specific demands of the particular environment with access to entertainment and news programming covering world events, local news, weather and financial markets. TWC provides video services to business services subscribers at prices based on the tier or package of service received. As of December 31, 2011, TWC served 172,000 business video subscribers.

Web Hosting and Application Management Services

TWC, through its subsidiary, NaviSite, provides a range of managed hosting, cloud, application and messaging services and other related IT and professional services to businesses across a variety of industries. NaviSite provides services globally, with data centers and offices in the U.S., the United Kingdom and India.

Advertising

TWC earns revenues by selling advertising to national, regional and local customers. Under its video programming agreements, TWC typically receives an allocation of scheduled advertising time, generally two or three minutes per hour, into which its systems can insert commercials, subject, in some instances, to certain subject matter limitations. TWC sells this inventory to advertisers, retaining a portion of it to promote its own products and services. TWC also sells online and video advertising on its owned and operated local news, sports and lifestyle channels and its Roadrunner.com portal to local and regional advertisers. In addition, TWC continues to explore various means to deliver advanced advertising offerings and measurement data to video and high-speed data advertisers.

In many locations, TWC has formed advertising interconnects or entered into representation agreements with contiguous cable system operators under which TWC sells advertising on behalf of those operators in exchange for a percentage of the advertising revenue. This enables TWC to deliver commercials across wider geographic areas, replicating the reach of the local broadcast stations as much as possible. TWC also sells advertising on behalf of Verizon FiOS and AT&T Inc. (AT&T) U-verse in a number of cities and online display advertising on behalf of several third parties in exchange for a percentage of the advertising revenue. In addition, TWC, together with Comcast and Cox Communications, Inc., owns National Cable Communications LLC (National Cable Communications), which, on behalf of a number of cable

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operators, sells advertising time to national and regional advertisers. Through National Cable Communications, TWC is a party to an agreement to sell DIRECTV Group Inc. (DIRECTV) advertising inventory on regional sports networks (RSNs) and, beginning in 2012, on approximately 25 DIRECTV channels in six cities. TWC also sells the video advertising inventory of certain RSNs in New York City and Ohio, and, beginning in the fall of 2012, it plans to sell the video advertising inventory of two new RSNs that it expects to launch in Los Angeles.

Regional Sports and News Networks

In February 2011, TWC entered into an agreement with the Los Angeles Lakers® for rights to distribute all locally available pre-season, regular season and post-season Los Angeles Lakers games, beginning with the 2012-2013 season and continuing through the 2032-2033 season with the right to extend for an additional five seasons. In the fall of 2012, TWC expects to launch two HD RSNs, one in English and one in Spanish, to carry the Los Angeles Lakers basketball games and the Los Angeles Galaxy® Major League Soccer games as well as other regional sports programming. TWC also manages 18 local news channels, including NY1 News, a 24-hour news channel focused on the New York metropolitan area, nine local sports channels and seven local lifestyle channels, and it owns 26.8% of Sterling Entertainment Enterprises, LLC (doing business as SportsNet New York), a New York City-based regional sports network that carries New York Mets® baseball games as well as other regional sports programming.

Marketing and Sales

TWC uses the brand name Time Warner Cable and its graphic brand identity, the eye and ear symbol, to market its services. The brand identity and brand messaging are delivered via broadcast, TWC's website, its cable systems, print, radio and other outlets, including outdoor advertising, direct mail, email, on-line advertising, local grassroots efforts and non-traditional media.

TWC also employs a wide range of direct channels to reach its customers, including outbound telemarketing, email marketing, door-to-door sales, online at www.timewarnercable.com and through third-party web partners, and in TWC and third-party retail stores. Beyond these channels, TWC uses social media applications, such as Facebook®, to build awareness of its brand, products and services. In addition, TWC uses customer care channels and inbound call centers to sell additional services to existing customers, as well as new services to potential customers.

Increasingly, TWC uses proprietary segmentation techniques to target products and services to specific groups of existing and potential customers. TWC launched SignatureHome™, a product and service bundle targeting its higher-end demographic with a video, high-speed data and voice bundle that includes certain enhanced features, in November 2010. During 2011, TWC actively marketed SignatureHome alongside new promotional packages of products and services. TWC also expanded its launch of Time Warner Cable TV Essentials, a package targeting budget-conscious customers, during 2011 and introduced new bundles with TV Essentials and its lower speed high-speed data tiers. TWC uses product innovations, like its TWC TV apps, to differentiate TWC from its competitors and creative marketing campaigns to appeal to groups of customers. TWC plans to continue to tailor services by customer segment and market these services with a mix of targeted media and direct marketing efforts.

Customer Care

TWC continues to upgrade its customer care processes and infrastructure as it consolidates and regionalizes many of its service operations. The introduction of SignatureService™ as part of TWC's SignatureHome offering is a departure from its traditional one size fits all customer service, and the Company is continually improving its installation and service processes and the related options available to customers, such as shortened service windows and guaranteed on-time appointments. TWC also enables existing customers to self install many of the Company's services without the need for a service appointment. To provide customers with more service and response options, TWC is upgrading its call center platforms to allow customer calls to be routed more efficiently, and investing in its interactive voice response system and a broad set of self-help tools through online channels, such as interactive chat and MyServices at www.timewarnercable.com. The Company also continues to focus on improving reliability and the technical quality of its plant to avoid repeat trouble calls.

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Technology

Cable Systems

TWC's cable systems employ a hybrid fiber coaxial cable, or HFC, network. TWC transmits signals on these systems via laser-fed fiber optic cable from origination points known as headends and hubs to a group of distribution nodes, and uses coaxial cable to deliver these signals from the individual nodes to the homes and businesses they serve. TWC pioneered this architecture and received an Emmy® award in 1994 for its HFC development efforts. HFC architecture allows the delivery of two-way video and broadband transmissions, which is essential to providing advanced video, high-speed data, voice, networking and transport services. As of December 31, 2011, nearly all of the homes and businesses passed by TWC's cable systems were served by two-way capable plant infrastructure that had been upgraded to provide at least 750MHz of capacity.

Historically, TWC has utilized local headends in each of its systems to receive, transcode and transmit video signals. TWC is gradually moving these functions for national signals from local headends to two national headends, which will allow TWC to improve network efficiency and reliability and better deliver multi-format video to the growing array of IP-connected devices.

TWC believes that its network architecture is sufficiently flexible and extensible to support its current requirements. However, TWC anticipates that it will need to continually use the bandwidth available to its systems more efficiently. To accommodate increasing demands for greater capacity in its network, TWC has deployed, in all of its service areas, a technology known as switched digital video (SDV). SDV technology expands network capacity by transmitting on a given node certain digital and HD video channels only when they are being watched by one or more customers served by that node. Since it is generally the case that not all such channels are being watched at all times within any given group of customers, SDV technology frees up capacity that can then be made available for other uses, including additional HD channels, expanded VOD offerings, faster high-speed data connections, reliable Digital Phone quality and interactive services. TWC received an Emmy award in 2008 for its efforts in SDV technology development. In addition to its use of SDV technology, TWC expects that over the next several years it will continue to reclaim spectrum currently dedicated to the delivery of analog video signals, thereby freeing additional capacity for other services.

Set-top Boxes and IP-connected Devices

Each of TWC's cable systems uses one of two conditional access systems to secure signals from unauthorized receipt. The intellectual property rights to these conditional access systems are controlled by set-top box manufacturers. In part as a result of the proprietary nature of these conditional access systems, TWC currently purchases set-top boxes from a limited number of suppliers. For more information, see Risk Factors Risks Related to Dependence on Third Parties. TWC may not be able to obtain necessary hardware, software and operational support.

Generally, to receive digital video programming, TWC's video subscribers must have either a TWC-provided digital set-top box or a digital cable-ready television or similar device equipped with a conditional-access security card (CableCARD®). In order to utilize TWC's two-way video services (which include VOD and channels delivered via SDV), customers generally must have a TWC-provided digital set-top box since a CableCARD cannot transmit upstream signals necessary to utilize these services. In 2009, TWC began distributing free tuning adaptors to allow subscribers using certain unidirectional devices to access and view channels delivered via SDV technology.

TWC has launched TWC TV apps for the iPad and iPhone, which allow TWC residential video subscribers to watch live cable channels on these devices on their premises, without the need for a set-top box or a CableCARD. In 2012, the Company expects to make live programming available on a variety of new devices in the home, such as Android smartphones and tablets, personal computers, game consoles and certain models of Internet-ready televisions. TWC also offers certain video programming services to its subscribers anywhere they have access to the Internet. These services include ESPN, the Big Ten Network, HBO GO and Max GO and TWC expects to continue to add new Internet-accessible content during 2012.

Suppliers

TWC contracts with certain third parties for goods and services related to the delivery of its video, high-speed data and voice services.

Video programming. TWC carries local broadcast stations pursuant to the compulsory copyright provisions of the Copyright Act of 1976, as amended, as well as under either the FCC must carry rules or a written retransmission consent

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agreement with the relevant station owner. TWC has multi-year retransmission consent agreements in place with most of the retransmission consent stations that it carries. For more information, see [Regulatory Matters](#) below. Cable networks, including premium channels and related VOD content, are carried pursuant to affiliation agreements. TWC generally pays a monthly per subscriber fee for these cable services and for broadcast stations that elect retransmission consent. Payments to the providers of some premium channels may be based on a percentage of TWC's gross receipts from subscriptions to the services. Generally, TWC obtains rights to carry VOD movies and events and to sell and/or rent online video programming via the Road Runner Video Store through iN Demand L.L.C., a company in which TWC holds a minority interest. In some instances, TWC contracts directly with film studios for VOD carriage rights for movies. Such VOD content is generally provided to TWC under revenue-sharing arrangements.

Set-top boxes, program guides and network equipment. TWC purchases set-top boxes and CableCARDs from a limited number of suppliers, including Cisco Systems, Inc. ([Cisco Systems](#)), Motorola Solutions, Inc. and Samsung Electronics Co., Ltd. and rents these devices to subscribers at monthly rates. See [Set-top Boxes and IP-connected Devices](#) above and [Regulatory Matters](#) below. TWC purchases routers, switches and other network equipment from a variety of providers, the most significant of which is Cisco Systems. See [Risk Factors](#) [Risks Related to Dependence on Third Parties](#) TWC may not be able to obtain necessary hardware, software and operational support. In addition to its Open Cable Digital Navigator ([ODN](#)) and Mystro Digital Navigator ([MDN](#)) program guides, TWC provides certain of its subscribers with set-top box program guides from Rovi Corporation.

High-speed data and voice connectivity. TWC delivers its high-speed data and voice services through its HFC network. TWC uses circuits that are either owned by TWC or leased from third parties to connect to the Internet, the public switched telephone network and to interconnect to its network. TWC pays fees for leased circuits based on the amount of capacity available to it and pays for Internet connectivity based on the amount of IP-based traffic received from and sent over the other carrier's network. TWC also has entered into a number of settlement-free peering arrangements with third-party networks that allow TWC to exchange traffic with those networks without a fee.

Voice services. Under multi-year agreements between TWC and Sprint Nextel Corporation ([Sprint](#)), Sprint assists TWC in providing voice service by routing voice traffic to and from destinations outside of TWC's network via the public switched telephone network, delivering E911, operator and directory assistance services and assisting in order processing, local number portability and long-distance traffic carriage. In the fourth quarter of 2010, TWC began replacing Sprint as the provider of these services and, as of December 31, 2011, TWC had replaced Sprint with respect to nearly half of TWC's voice lines. The Company expects to replace the majority of the remaining voice lines in 2013, with the process completed during the first quarter of 2014.

Competition

Residential Services

TWC faces intense competition for residential services customers from a variety of alternative communications, information and entertainment delivery sources. TWC competes with incumbent local telephone companies, including AT&T and Verizon, across each of its primary residential services. Some of these telephone companies offer a broad range of services with features and functions comparable to those provided by TWC and in bundles similar to those offered by TWC, sometimes including wireless service. Each of TWC's residential services also faces competition from other companies that provide services on a stand-alone basis. TWC's residential video service faces competition from direct broadcast satellite ([DBS](#)) services, including DIRECTV and DISH Network Corporation ([DISH Network](#)), and increasingly from companies that deliver content to consumers over the Internet. TWC's residential high-speed data and voice services face competition from wireless Internet and voice providers. TWC's residential voice service also faces competition from over-the-top phone services and other alternatives. Additionally, technological advances and product innovations have increased and will likely continue to increase the number of alternatives available to TWC's current and potential residential customers, further intensifying competition. See [Risk Factors](#) [Risks Related to Competition](#).

Principal Competitors

Incumbent local telephone companies. TWC's residential video, high-speed data and voice services face competition from the video, digital subscriber line ([DSL](#)), wireless broadband and wireline and wireless phone offerings of AT&T and Verizon. TWC estimates that AT&T and Verizon have upgraded their networks in approximately 25% and 12%,

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respectively, of TWC's operating areas to carry two-way video, high-speed data and IP-based telephony services, each of which is similar to the corresponding residential service offered by TWC. Moreover, AT&T and Verizon aggressively market and sell bundles of video, high-speed data and voice services plus, in some cases, wireless services, and they market cross-platform features with their wireless services. In addition, both AT&T and Verizon have begun offering services that allow subscribers to view television programming and rent movies on mobile devices. TWC also faces competition in some areas from the DSL, wireless broadband and phone offerings of smaller incumbent local telephone companies, such as Frontier Communications Corporation, Cincinnati Bell, Inc. and CenturyLink, Inc.

Direct broadcast satellite. TWC's residential video service faces competition from DBS services, such as DISH Network and DIRECTV. DISH Network and DIRECTV offer satellite-delivered pre-packaged programming services that can be received by relatively small and inexpensive receiving dishes. These providers offer aggressive promotional pricing, exclusive programming (e.g., NFL Sunday Ticket) and video services that are comparable in many respects to TWC's residential digital video service, including its DVR service and some of its interactive programming features.

In some areas, incumbent local telephone companies and DBS operators have entered into co-marketing arrangements that allow the telephone companies to offer synthetic bundles (i.e., video service provided principally by the DBS operator, and DSL, wireline phone service and, in some cases, wireless service provided by the telephone company). From a consumer standpoint, the synthetic bundles appear similar to TWC's bundles.

Cable overbuilders. TWC operates its cable systems under non-exclusive franchises granted by state or local authorities. The existence of more than one cable system, including municipality-owned systems, operating in the same territory is referred to as an overbuild. In some of TWC's operating areas, other operators have overbuilt TWC's systems and offer video, high-speed data and voice services in competition with TWC.

Other Competition and Competitive Factors

Aside from competing with the video, high-speed data and voice services offered by incumbent local telephone companies, DBS providers and cable overbuilders, each of TWC's residential services also faces competition from other companies that provide services on a stand-alone basis.

Video competition. TWC's residential video service faces competition from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Hulu.com, Apple Inc.'s iTunes, Netflix Inc.'s Watch Instantly and YouTube. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices. TWC also competes with online order services with mail delivery and video stores.

Online competition. TWC's residential high-speed data service faces competition from a variety of companies that offer other forms of online services, including low cost dial-up services over telephone lines and wireless broadband services over a variety of types of networks.

Digital Phone competition. TWC's residential voice service competes with wireline, wireless and over-the-top phone providers. An increasing number of homes in the U.S. are replacing their traditional wireline telephone service with wireless phone service, a trend commonly referred to as wireless substitution. Wireless phone providers are encouraging this trend with aggressive marketing and the launch of wireless products targeted for home use. TWC also competes with over-the-top providers, such as Vonage, Skype, magicJack and Google Voice, and companies that sell phone cards at a cost per minute for both national and international service. In addition, TWC's residential voice service competes with other forms of communication, such as text messaging on cellular phones, instant messaging, social networking services and email. The increase in wireless substitution, the number of different technologies capable of carrying voice services and the number of alternative communication options available to customers has intensified the competitive environment in which TWC operates its residential voice service.

Additional competition. In addition to multi-channel video providers, cable systems compete with all other sources of news, information and entertainment, including over-the-air television broadcast reception, live events, movie theaters and the Internet. To the extent that TWC's services converge with theirs, TWC competes with the manufacturers of consumer electronics products. For instance, TWC's DVR service competes with similar devices manufactured by consumer electronics companies.

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Business Services

TWC competes across each of its business high-speed data, networking and voice services with incumbent local exchange carriers, or ILECs, and competitive local exchange carriers, or CLECs. TWC's cell tower backhaul service faces competition from ILECs and CLECs, as well as other carriers, such as metro and regional fiber providers. TWC's business video service faces competition from direct broadcast satellite providers. Through its NaviSite subsidiary, TWC competes with cloud, hosting and related service providers and application-service providers.

Advertising

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

Employees

As of December 31, 2011, TWC had approximately 48,500 employees, including approximately 1,200 part-time employees. Approximately 4.6% of TWC's employees are represented by labor unions. TWC considers its relations with its employees to be good.

Regulatory Matters

TWC's business is subject, in part, to regulation by the FCC and by most local and state governments where TWC has cable systems. In addition, TWC's business is operated subject to compliance with the terms of the Memorandum Opinion and Order issued by the FCC in July 2006 in connection with the regulatory clearance of the transactions related to TWC's 2006 acquisition of cable systems from Adelphia Communications Corporation (Adelphia) and Comcast (the Adelphia/Comcast Transactions Order), which is in effect until July 2012. Various legislative and regulatory proposals under consideration from time to time by the U.S. Congress (Congress) and various federal agencies have in the past materially affected TWC and may do so in the future.

The Communications Act of 1934, as amended (the Communications Act), and the regulations and policies of the FCC affect significant aspects of TWC's cable system operations, including video subscriber rates; carriage of broadcast television signals and cable programming, as well as the way TWC sells its program packages to subscribers; the use of cable systems by franchising authorities and other third parties; cable system ownership; the offering of voice, high-speed data and transport services; and its use of utility poles and conduits.

The following is a summary of current significant federal, state and local laws and regulations affecting the growth and operation of TWC's business, as well as a summary of the terms of the Adelphia/Comcast Transactions Order. The summary of the Adelphia/Comcast Transactions Order herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Adelphia/Comcast Transactions Order.

Video Services

Subscriber rates. The Communications Act and the FCC's rules regulate rates for basic cable service and equipment in communities that are not subject to effective competition, as defined by federal law. Where there has been no finding by the FCC of effective competition, federal law authorizes franchising authorities to regulate the monthly rates charged by the operator for the minimum level of video programming service, referred to as basic service tier or BST, which generally includes broadcast television signals, satellite-delivered broadcast networks and superstations, local origination channels, a few specialty networks and public access, educational and government channels. This regulation also applies to the installation, sale and lease of equipment used by subscribers to receive basic service, such as set-top boxes and remote control units. As of December 31, 2011, the FCC has determined that approximately 75% of the communities TWC serves are subject to effective competition.

Carriage of broadcast television stations and other programming regulation. The Communications Act and the FCC's regulations contain broadcast signal carriage requirements that allow local commercial television broadcast stations to elect

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once every three years to require a cable system to carry their stations, subject to some exceptions, commonly called *must carry*, or to negotiate with cable systems the terms on which the cable systems may carry their stations, commonly called *retransmission consent*.

The Communications Act and the FCC's regulations require a cable operator to devote up to one-third of its activated channel capacity for the mandatory carriage of local commercial television stations that elect *must carry*. The Communications Act and the FCC's regulations give local non-commercial television stations mandatory carriage rights, but non-commercial stations do not have the option to negotiate retransmission consent for the carriage of their signals by cable systems. Additionally, cable systems must obtain retransmission consent for all distant commercial television stations (i.e., those television stations outside the designated market area to which a community is assigned) except for commercial satellite-delivered independent *superstations* and some low-power television stations.

In 2005, the FCC reaffirmed its earlier decision rejecting multi-casting (i.e., carriage of more than one program stream per broadcaster) requirements with respect to carriage of broadcast signals pursuant to *must-carry* rules. Certain parties filed petitions for reconsideration. To date, no action has been taken on these reconsideration petitions, and TWC is unable to predict what requirements, if any, the FCC might adopt in connection with multi-casting.

In September 2007, the FCC adopted rules that require cable operators that offer at least some analog service (i.e., that are not operating all-digital systems) to provide subscribers down-converted analog versions of *must-carry* broadcast stations' digital signals. In addition, *must-carry* stations broadcasting in HD format must be carried in HD on cable systems with greater than 552 MHz capacity; standard-definition signals must be carried in analog format (although TWC often also carries such signals in digital format). These rules became effective after the broadcast television transition from analog to digital service for full power television stations on June 12, 2009, and are currently scheduled to terminate after three years, on June 12, 2012, subject to FCC review.

In March 2010, a coalition of fourteen public interest groups and multi-channel video programming distributors (MVPDs), including TWC, petitioned the FCC for reform of the retransmission consent rules. The petition stated that outdated retransmission consent rules allow broadcasters to threaten signal blackouts to force MVPDs to pay significant increases in retransmission consent fees to the detriment of MVPDs and consumers. Shortly thereafter, in March 2010, the FCC issued a Public Notice seeking comment on the petition. In March 2011, the FCC initiated a rulemaking proceeding on retransmission consent. TWC is unable to predict what rules, if any, the FCC might adopt in connection with retransmission consent.

The Communications Act also permits franchising authorities to negotiate with cable operators for channels for public, educational and governmental access programming. It also requires a cable system with 36 or more activated channels to designate a significant portion of its channel capacity for commercial leased access by third parties, which limits the amount of capacity TWC has available for other programming. The FCC regulates various aspects of such third-party commercial use of channel capacity on TWC's cable systems, including the rates and some terms and conditions of the commercial use. These rules are the subject of an ongoing FCC proceeding, and recent revisions to such rules are stayed pursuant to an appeal in the U.S. Court of Appeals for the Sixth Circuit. The FCC also has an open proceeding to examine its substantive and procedural rules for program carriage. In August 2011, the FCC issued a program carriage order and further notice of proposed rulemaking. TWC and the National Cable and Telecommunications Association appealed the order to the U.S. Court of Appeals for the Second Circuit. The rulemaking proceeding remains pending, and TWC is unable to predict whether any such proceedings will lead to any material changes in existing regulations.

In addition, the Communications Act and FCC regulations also require TWC to give various kinds of advance notice of certain changes in TWC's programming line-up. Under certain circumstances, TWC must give as much as 30 or 45 days' advance notice to subscribers, programmers and franchising authorities of such changes. DBS operators and other non-cable programming distributors are not subject to analogous duties.

Ownership limitations. There are various rules prohibiting joint ownership of cable systems and other kinds of communications facilities, including local telephone companies and multichannel multipoint distribution service facilities. The Communications Act also requires the FCC to adopt reasonable limits on the number of subscribers a cable operator may reach through systems in which it holds an ownership interest. In December 2007, the FCC adopted an order establishing a 30% limit on the percentage of nationwide multichannel video subscribers that any single cable provider can serve. The U.S. Court of Appeals for the District of Columbia Circuit reversed and vacated the FCC order in August 2009.

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TWC is unable to predict when the FCC will take action to set new limits, if any. The Communications Act also requires the FCC to adopt reasonable limits on the number of channels that cable operators may fill with programming services in which they hold an ownership interest. The matter remains pending before the FCC. It is uncertain when the FCC will rule on this issue or how any regulation it adopts might affect TWC.

Pole attachment regulation. The Communications Act requires that investor-owned utilities provide cable systems and telecommunications carriers with non-discriminatory access to any pole, conduit or right-of-way controlled by those utilities. The Communications Act permits the FCC to regulate the rates, terms and conditions imposed by these utilities for cable systems use of utility poles and conduit space. States are permitted to preempt FCC jurisdiction over pole attachments through certifying that they regulate the terms of attachments themselves. Many states in which TWC operates have done so. Rates for cable attachments and telecommunications attachments are calculated under different provisions of the Communications Act and rates for telecommunications services attachments have historically been higher than the rates for cable attachments. The FCC or a certifying state could increase pole attachment rates paid by cable operators for their different services. On April 7, 2011, in response to a Notice of Proposed Rulemaking initiated in November 2007 to specifically address pole attachment rates that would apply to attachments made by cable operators and telecommunications companies that were used to provide high-speed Internet access services, and in furtherance of the recommendations made in the National Broadband Plan, the FCC adopted an Order comprehensively revising its pole attachment rules. The new rules, which became effective on June 8, 2011, seek to improve the efficiency and reduce the costs of deploying telecommunications, cable and broadband networks, in order to accelerate broadband buildout. The rules also revise the formula for the telecommunications attachment rate, lowering it and bringing it as close as possible to the cable rate. The April 2011 Order is subject to Petitions for Reconsideration at the FCC and judicial appeal before the U.S. Court of Appeals for the District of Columbia Circuit. Action on these Petitions could cause TWC's pole attachment payments to increase. The appropriate method for calculating pole attachment rates for cable operators that provide Voice over Internet Protocol (VoIP) services remains unclear. However, in August 2009, a coalition of electric utility companies petitioned the FCC to declare that the pole attachment rate for attachments used by cable companies to provide VoIP services should be assessed at the rate paid by telecommunications providers. TWC opposed this petition. If the FCC grants the electric utility companies petitions, TWC's pole attachment payments could also increase. Finally, some of the poles TWC uses are exempt from federal regulation because they are owned by utility cooperatives and municipal entities. These entities may not renew TWC's existing agreements when they expire, and they may require TWC to pay substantially increased fees. A number of these entities are currently seeking to impose substantial rate increases. Any increase in TWC's pole attachment rates or inability to secure continued pole attachment agreements with these cooperatives or municipal utilities on commercially reasonable terms could cause TWC's business, financial results or financial condition to suffer. For further discussion of pole attachment rates, see the discussion in Risk Factors Risks Related to Government Regulation TWC may encounter substantially increased pole attachment costs.

Set-top box regulation. Certain regulatory requirements are also applicable to set-top boxes and other equipment that can be used to receive digital video services. Currently, many cable subscribers rent from their cable operator a set-top box that performs both signal-reception functions and conditional-access security functions. The rental rates cable operators charge for this equipment are subject to rate regulation to the same extent as basic cable service. Under these regulations, cable operators are allowed to set equipment rates for set-top boxes, conditional-access security cards or CableCARDS and remote controls on the basis of actual capital costs, plus an annual after-tax rate of return of 11.25%, on the capital cost (net of depreciation). In 1996, Congress enacted a statute requiring the FCC to pass rules fostering the availability of set-top boxes. An implementing regulation, which became effective on July 1, 2007, requires cable operators to cease placing into service new set-top boxes that have integrated security functions. DBS operators are not subject to this requirement.

In December 2002, cable operators and consumer-electronics companies entered into a standard-setting agreement relating to reception equipment that uses a CableCARD provided by the cable operator to receive one-way cable services. To implement the agreement, the FCC adopted regulations that (i) establish a voluntary labeling system for such one-way devices; (ii) require most cable systems to support these devices; and (iii) adopt various content-encoding rules, including a ban on the use of selectable output controls to direct program content only through authorized outputs. In June 2007, the FCC initiated a Notice of Proposed Rulemaking that may lead to regulations covering equipment sold at retail that is designed to receive two-way products and services, which, if adopted, could increase TWC's cost in supporting such equipment. This Notice of Proposed Rulemaking remains pending. In June 2008, cable operators and consumer-electronics companies entered into a Memorandum of Understanding that establishes a national platform for retail devices to receive interactive (or two-way) cable services. In May 2010, the FCC's Media Bureau granted a limited waiver of the prohibition on using selectable output controls to encourage Motion Picture Association of America member companies, independent filmmakers and their MVPD partners to offer films for home viewing during early release windows.

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In November 2009, in its National Broadband Plan proceeding, the FCC identified a set-top box innovation gap that it stated could hinder the convergence of video, TV and IP-based technology. In December 2009, the FCC launched two proceedings, seeking comment on improvements for CableCARDs and longer term measures to encourage innovation in the market for navigation devices, such as requiring MVPDs and consumer electronics manufacturers to develop a universal all-video adapter. In October 2010, the FCC adopted an Order to address CableCARD issues. The new rules included requirements that cable operators provide reasonable access to switched digital programming for retail one-way devices through a technology of the operator's choice, provide credits to customers who use their own retail set-top boxes rather than renting and allow self-installation of CableCARDs. The Order also granted relief to cable operators by eliminating the requirement for certain connectors on HD set-top boxes in favor of alternative outputs and allowing operators to deploy low-end HD set-top boxes that do not include CableCARDs. The universal all-video adapter notice of inquiry proceeding remains pending. If the FCC requires MVPDs to develop an all-video adapter, it may impede innovation in this area.

Multiple dwelling units and inside wiring. In November 2007, the FCC adopted an order declaring null and void all exclusive access arrangements between cable operators and multiple dwelling units and other centrally managed real estate developments (MDUs). In connection with the order, the FCC also issued a Further Notice of Proposed Rulemaking regarding whether to expand the ban on exclusivity to other types of MVPDs in addition to cable operators, including DBS providers, and whether to expand the scope of the rules to prohibit exclusive marketing and bulk billing agreements. The U.S. Court of Appeals for the District of Columbia Circuit upheld the order in May 2009. The FCC also has adopted rules facilitating competitors' access to the cable wiring inside such MDUs. This order, which was upheld by the U.S. Court of Appeals for the District of Columbia Circuit in October 2008, could have an adverse impact on TWC's business because it allows competitors to use wiring inside MDUs that TWC has already deployed.

Copyright regulation. TWC's cable systems provide subscribers with, among other things, content from local and distant television broadcast stations. TWC generally does not obtain a license to use the copyrighted performances contained in these stations' programming directly from program owners. Instead, in exchange for filing reports with the U.S. Copyright Office and contributing a percentage of revenue to a federal copyright royalty pool, cable operators obtain rights to retransmit copyrighted material contained in broadcast signals pursuant to a statutory license. The elimination or substantial modification of this statutory copyright license has been the subject of ongoing legislative and administrative review, and, if eliminated, modified or interpreted by the U.S. Copyright Office differently, could adversely affect TWC's ability to obtain suitable programming and could substantially increase TWC's programming costs.

In addition, when TWC obtains programming from third parties, TWC generally obtains licenses that include any necessary authorizations to transmit the music included in it. When TWC creates its own programming and provides various other programming or related content, including local origination programming and advertising that TWC inserts into cable-programming networks, TWC is required to obtain any necessary music performance licenses directly from the rights holders. These rights are generally controlled by three music performance rights organizations, each with rights to the music of various composers. TWC generally has obtained the necessary licenses, either through negotiated licenses or through procedures established by consent decrees entered into by some of the music performance rights organizations.

Program carriage and Adelphia/Comcast Transactions Order. The Communications Act and the FCC's program carriage rules restrict cable operators and MVPDs from unreasonably restraining the ability of an unaffiliated programming vendor to compete fairly by discriminating against the programming vendor on the basis of its non-affiliation in the selection, terms or conditions for carriage. The Adelphia/Comcast Transactions Order imposes certain additional program carriage conditions on TWC, which will expire in July 2012, related to RSNs. In particular, the Adelphia/Comcast Transactions Order provides that (i) neither TWC nor its affiliates may offer an affiliated RSN on an exclusive basis to any MVPD; (ii) TWC may not unduly or improperly influence the decision of any affiliated RSN to sell programming to an unaffiliated MVPD or the prices, terms and conditions of sale of programming by an affiliated RSN to an unaffiliated MVPD; (iii) if an MVPD and an affiliated RSN cannot reach an agreement on the terms and conditions of carriage, the MVPD may elect commercial arbitration to resolve the dispute; (iv) if an unaffiliated RSN is denied carriage by TWC, it may elect commercial arbitration to resolve the dispute in accordance with the FCC's program carriage rules; and (v) with respect to leased access, if an unaffiliated programmer is unable to reach an agreement with TWC, that programmer may elect commercial arbitration to resolve the dispute, with the arbitrator being required to resolve the dispute using the FCC's existing rate formula relating to pricing terms. The FCC has suspended this baseball style arbitration procedure as it relates to TWC's carriage of unaffiliated RSNs, although it allowed the arbitration of a claim brought by the Mid-Atlantic Sports Network (MASN) because the claim was brought prior to the suspension. In that case, in December 2010, the FCC reversed the earlier decision of the FCC's Media Bureau and found that TWC had legitimate reasons for its carriage decisions regarding MASN and had

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not discriminated against the network on the basis of affiliation. MASN appealed the FCC's decision to the U.S. Court of Appeals for the Fourth Circuit, where the case is currently pending. Herring Broadcasting, Inc., which does business as WealthTV, also filed a program carriage complaint against TWC and other cable operators alleging discrimination against WealthTV's programming in favor of an allegedly similarly situated video programming vendor in violation of the FCC's rules. In October 2009, after convening an evidentiary hearing on the merits of the claim, an FCC Administrative Law Judge issued a recommended decision in favor of TWC and the other cable operators in the proceeding, which WealthTV appealed to the full FCC. This proceeding remains pending. In July 2011, the FCC issued a public notice, seeking comment on issues related to RSN access and carriage to prepare a report examining those issues six months prior to the expiration of the RSN conditions, as required by the Adelphia/Comcast Transactions Order. The FCC released its report on the RSN marketplace in January 2012, concluding that in the absence of additional FCC action, the RSN conditions applying to TWC will expire on July 13, 2012.

Tax. Under the Telecommunications Act of 1996, DBS providers benefit from federal preemption of locally imposed or administered taxes and fees on video services, including those borne by the Company and its customers. Several states have enacted or are considering parity tax measures to equalize the tax and fee burden imposed on DBS and cable video services. DBS providers have been challenging such parity efforts in the courts, Congress and, increasingly, state legislatures in an effort to maintain their competitive pricing advantage and preclude states from implementing such parity tax measures. Thus far, the states have prevailed in the federal and state courts with respect to legal challenges to such tax parity statutes. However, there can be no assurance as to the outcome with respect to cases still pending and ongoing legislative efforts.

Franchising. Cable operators generally operate their systems under non-exclusive franchises. Franchises are awarded, and cable operators are regulated, by state franchising authorities, local franchising authorities, or both.

Franchise agreements typically require payment of franchise fees and contain regulatory provisions addressing, among other things, upgrades, service quality, cable service to schools and other public institutions, insurance and indemnity bonds. The terms and conditions of cable franchises vary from jurisdiction to jurisdiction. The Communications Act provides protections against many unreasonable terms. In particular, the Communications Act imposes a ceiling on franchise fees of five percent of revenues derived from cable service. TWC generally passes the franchise fee on to its subscribers, listing it as a separate item on the bill.

Franchise agreements usually have a term of ten to 15 years from the date of grant, although some renewals may be for shorter terms. Franchise agreements usually are terminable only if the cable operator fails to comply with material provisions. TWC has not had a franchise terminated due to breach. After a franchise agreement expires, a local franchising authority may seek to impose new and more onerous requirements, including requirements to upgrade facilities, to increase channel capacity and to provide various new services. Federal law, however, provides significant substantive and procedural protections for cable operators seeking renewal of their franchises. In addition, although TWC occasionally reaches the expiration date of a franchise agreement without having a written renewal or extension, TWC generally has the right to continue to operate, either by agreement with the local franchising authority or by law, while continuing to negotiate a renewal. In the past, substantially all of the material franchises relating to TWC's systems have been renewed by the relevant local franchising authority, though sometimes only after significant time and effort.

In June 2008, the U.S. Court of Appeals for the Sixth Circuit upheld regulations adopted by the FCC in December 2006 intended to limit the ability of local franchising authorities to delay or refuse the grant of competitive franchises (by, for example, imposing deadlines on franchise negotiations). The FCC has applied most of these rules to incumbent cable operators which, although immediately effective, in some cases may not alter existing franchises prior to renewal.

At the state level, several states, including California, Kansas, Missouri, North Carolina, Ohio, South Carolina and Wisconsin, have enacted statutes intended to streamline entry by additional video competitors, some of which provide more favorable treatment to new entrants than to existing providers. Similar bills are pending or may be enacted in additional states. Despite TWC's efforts and the protections of federal law, it is possible that some of TWC's franchises may not be renewed, and TWC may be required to make significant additional investments in its cable systems in response to requirements imposed in the course of the franchise renewal process.

High-speed Internet Access Services

TWC provides high-speed Internet access services over its existing cable facilities. In 2002, the FCC released an order in which it determined that cable-provided high-speed Internet access service is an interstate information service rather

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than a cable service or a telecommunications service, as those terms are defined in the Communications Act. That determination was sustained by the U.S. Supreme Court. The information service classification means that the service is not subject to regulation as a cable service or as a telecommunications service under federal, state or local law. Nonetheless, TWC's high-speed Internet access service is subject to a number of regulatory requirements, including the Communications Assistance for Law Enforcement Act (CALEA), which requires that high-speed data providers implement certain network capabilities to assist law enforcement agencies in conducting surveillance of criminal suspects.

Net neutrality legislative proposals and regulations. Over the past several years, disparate groups have adopted the term net neutrality in connection with their efforts to persuade Congress and regulators to adopt rules that could limit the ability of broadband Internet access providers to effectively manage or operate their broadband networks. In previous Congressional sessions, legislation was introduced proposing net neutrality requirements, which would have limited to a greater or lesser extent the ability of high-speed Internet access service providers to adopt pricing models and network management policies.

In September 2005, the FCC issued its Net Neutrality Policy Statement, which at the time, the agency characterized as a non-binding policy statement. The principles contained in the Net Neutrality Policy Statement set forth the FCC's view that consumers are entitled to access and use lawful Internet content and applications of their choice, to connect to lawful devices of their choosing that do not harm the broadband provider's network and to competition among network, application, service and content providers. The Net Neutrality Policy Statement notes that these principles are subject to reasonable network management. Subsequently, the FCC made these principles binding as to certain telecommunications companies for specified periods of time pursuant to voluntary commitments in orders adopted in connection with mergers undertaken by those companies.

In October 2009, the FCC initiated a Notice of Proposed Rulemaking to adopt so-called net neutrality or open Internet rules applicable to all providers of broadband Internet access services, whether wireline or wireless. The rules as proposed would not have applied to providers of applications, content or other services. Subsequently, in response to the April 2010 decision of the U.S. Court of Appeals for the District of Columbia Circuit overturning the FCC's August 2008 ruling pursuant to Title I of the Act finding Comcast had violated the FCC's Net Neutrality Policy Statement, the FCC adopted a Notice of Inquiry (NOI) to explore classifying the transmission component of facilities-based wireline broadband Internet access service as a Title II common carrier service. The NOI only touched on how non-facilities based and wireless broadband Internet service providers should be regulated and did not address the regulatory framework applicable to application or content providers, on-line service providers or Internet backbone providers. In September 2010, the FCC issued a public notice seeking comments on the relationship between its October 2009 proposed net neutrality regulations and managed or specialized services that are provided over the same last-mile facilities as broadband Internet access service. On December 21, 2010, the FCC adopted an Open Internet Order pursuant to its Title I authority imposing net neutrality obligations on broadband Internet access providers, including TWC. While the Order specifically indicates that the FCC pursued the exercise of Title I jurisdiction in lieu of a Title II reclassification approach, the NOI addressing a Title II reclassification nevertheless remains pending.

The new Open Internet rules, which became effective on November 20, 2011, are based on three basic principles: transparency, no blocking and no unreasonable discrimination, and are applicable to fixed and wireless broadband Internet access providers to different extents. Under the new rules, fixed and wireless broadband Internet access providers are required to make their practices transparent at the point-of-sale and publically available thereafter to both consumers and providers of Internet content, services, applications and devices via their website or some other method. In addition, subject to reasonable network management, fixed broadband Internet access providers are prohibited from blocking lawful content, applications, services and non-harmful devices, and from engaging in unreasonable discrimination in transmitting lawful traffic. The new rules specifically do not apply to managed or specialized services that share the same network infrastructure as broadband Internet access services, although the Order indicates that the FCC intends to observe market developments in this area and may take further regulatory action if it believes it is warranted. The rules are currently under appeal by multiple parties before the U.S. Court of Appeals for the District of Columbia Circuit, with proponents arguing the rules did not go far enough and opponents arguing the FCC had no jurisdiction to impose rules.

For further discussion of net neutrality and its impact on TWC, see the discussion in Risk Factors Risks Related to Government Regulation Net neutrality legislation or regulation could limit TWC's ability to operate its high-speed data business profitably and to manage its broadband facilities efficiently.

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National Broadband Plan. As part of the American Recovery and Reinvestment Act of 2009, Congress directed the FCC to develop a National Broadband Plan, which was delivered to Congress on March 16, 2010. The plan focuses primarily on universal broadband deployment, increased broadband utilization and adoption, and the integration of broadband into several key national purposes, such as healthcare, education, energy and E-government, and includes over 200 recommendations to ensure that every American has affordable access to, and an understanding of, broadband capability.

On April 6, 2010, the FCC released its Broadband Action Agenda setting out the purpose and timing of more than 60 rulemakings and other notice-and-comment proceedings to implement the recommendations of the National Broadband Plan intended to accelerate the deployment and adoption of robust, affordable broadband for all Americans; to help 100 million U.S. homes get affordable access to actual download speeds of at least 100 megabits over the next decade; to promote innovation, investment, competition and consumer interests throughout the broadband ecosystem; and to advance the use of broadband for key national priorities, including public safety, health care and education. The FCC has commenced numerous proceedings in accordance with the Broadband Action Agenda, many of which, including those addressing Universal Service Fund (USF) reform, consumer disclosure and transparency, network reliability and survivability and pole attachments, TWC is an active participant. On November 18, 2011, the FCC released the first comprehensive Order reforming the high cost support mechanism known as the High Cost Fund (HCF) of the USF mechanism by refocusing the HCF to a new Connect America Fund which will fund the buildout and provision of broadband service as a new universal service in those areas of the country where broadband would not otherwise be deployed. TWC is unable to predict the impact of these proceedings on TWC's business.

Voice Services

TWC currently offers residential and business voice services using VoIP technology. Traditional providers of circuit-switched telephone services generally are subject to significant regulation. It is unclear whether and to what extent regulators will subject interconnected VoIP services such as TWC's residential and business voice services to all the same regulations that apply to the traditional voice services provided by incumbent telephone companies. In February 2004, the FCC opened a broad-based rulemaking proceeding to consider these and other issues. That rulemaking remains pending. The FCC has, however, extended a number of traditional telephone carrier regulations to interconnected VoIP providers, including requiring interconnected VoIP providers: to provide E911 capabilities as a standard feature to their subscribers; to comply with the requirements of CALEA to assist law enforcement investigations in providing, after a lawful request, call content and call identification information; to contribute to the USF; to pay regulatory fees; to comply with subscriber privacy rules; to provide access to their services to persons with disabilities; and to comply with service discontinuance requirements and local number portability (LNP) rules when subscribers change telephone providers.

Certain other issues related to interconnected VoIP services remain unclear. In particular, in November 2004, the FCC determined that regardless of their regulatory classification, certain interconnected VoIP services qualify as interstate services with respect to economic regulation. The FCC preempted state public utility commission regulations that address such issues as entry certification and tariffing requirements, as applied to nomadic and other interconnected VoIP services having similar characteristics. On March 21, 2007, the U.S. Court of Appeals for the Eighth Circuit affirmed the FCC's November 2004 order with respect to these VoIP services. Despite this ruling, certain states have sought to impose state regulation on interconnected VoIP providers such as TWC. For instance, in 2008, the Wisconsin Public Utility Commission ruled that TWC's Digital Phone service is subject to traditional, circuit-switched telephone regulation, and in October 2010, the Maine Public Utilities Commission ruled that TWC's voice services should be regulated in Maine as a telephone service and that TWC must obtain CLEC and Interexchange Carrier (long-distance) authorizations for its voice operations. The Maine decision, however, was effectively reversed when the Maine legislature, in June 2011, enacted a state law that specifically provided that the Public Utilities Commission may not regulate VoIP without further authorization from the legislature. Other state commissions, such as Vermont, have similarly ruled that VoIP is a telephone service subject to state regulation or have opened investigations into whether and to what extent interconnected VoIP services should be regulated in their respective states.

The FCC and various states are also considering various issues associated with how interconnected VoIP services should interconnect with incumbent phone company networks. Because the FCC has yet to classify interconnected VoIP service, the precise scope of interconnection rules as applied to interconnected VoIP service remains unclear. As a result, some small incumbent telephone companies (RLECs) resist interconnecting directly with TWC under various legal theories. In July 2010, as a result of some rural telephone companies claiming protection under the rural exemption provisions of Section 251 of the Communications Act in refusing to interconnect with CLECs for purposes of exchanging

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TWC's VoIP traffic, TWC filed a Petition for Preemption with the FCC that requested a determination that interconnection with RLEC networks for the purpose of establishing reciprocal compensation arrangements pursuant to sections 251 (a) and (b) of the Communications Act is not subject to the rural exemption under Section 251 of the Communications Act. The FCC granted TWC's Petition on May 26, 2011, clarifying that RLECs are required to negotiate interconnection agreements for the purpose of enabling TWC to provide its voice service in competition with RLECs. The Order also states that if RLECs refuse to negotiate, state public utility commissions have an obligation to arbitrate an interconnection agreement within the timeframes specified under the Communications Act.

Finally, on November 18, 2011, in its proceeding considering comprehensive intercarrier compensation reform, including the appropriate compensation regime applicable to interconnected VoIP traffic over the public switched telephone network, the FCC released an Order adopting rules providing greater clarity regarding the compensation rights and obligations of carriers that originate or terminate VoIP traffic, making clear that origination and termination charges may be imposed when an entity uses IP facilities to transmit traffic to or from a party's premises and establishing default rates for such traffic. At the same time the FCC issued a Further Notice of Proposed Rulemaking seeking to adopt rules to govern IP-to-IP interconnection for voice services and indicating that carriers should negotiate such agreements in good faith during the pendency of such proceeding. It is unclear whether and when the FCC or Congress will adopt further rules relating to IP interconnection for voice services and how such rules would affect TWC's interconnected VoIP service.

Commercial Networking and Transport Services

Entities providing point-to-point and other transport services generally have been subjected to various kinds of regulation. In particular, in connection with intrastate transport services, state regulatory authorities require such providers to obtain and maintain certificates of public convenience and necessity and to file tariffs setting forth the service's rates, terms, and conditions and to have just, reasonable, and non-discriminatory rates, terms and conditions. Interstate transport services are governed by similar federal regulations. In addition, providers generally may not transfer assets or ownership without receiving approval from or providing notice to state and federal authorities. Finally, providers of point-to-point and similar transport services are required to contribute to various state and federal regulatory funds, including state universal funds and the USF.

Other Federal Regulatory Requirements

The Communications Act also includes numerous other provisions, applicable to some extent, to one or more of TWC's services. These provisions apply to customer service, subscriber privacy, marketing practices, equal employment opportunity, technical standards and equipment compatibility, antenna structure notification, marking, lighting, emergency alert system requirements, disability access, loudness of commercial advertisements and the collection of annual regulatory fees, which are calculated based on the number of subscribers served, the types of FCC licenses held and certain interstate revenue thresholds. The FCC also actively regulates other aspects of TWC's video services, including the mandatory blackout of syndicated, network and sports programming; customer service standards; political advertising; indecent or obscene programming; Emergency Alert System requirements for analog and digital services; closed captioning and video description requirements for the hearing impaired; commercial restrictions on children's programming; recordkeeping and public file access requirements; and technical rules relating to operation of the cable network.

Operating Partnerships, Joint Ventures and Significant Investments

Time Warner Entertainment Company, L.P.

Time Warner Entertainment Company, L.P. (TWE) is a Delaware limited partnership that was formed in 1992 and is wholly owned by TWC. As of December 31, 2011, TWE held cable systems with 3.0 million video subscribers. As of December 31, 2011, TWE had \$2.6 billion in principal amount of outstanding debt securities with maturities ranging from 2012 to 2033 and fixed interest rates ranging from 8.375% to 10.15%. TWC is a guarantor of TWE's \$2.6 billion in principal amount of outstanding debt securities. TWE is also a guarantor under TWC's \$4.0 billion senior unsecured three-year revolving credit facility, its \$4.0 billion commercial paper program and its \$23.6 billion in principal amount of outstanding debt securities. See Management's Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity Outstanding Debt and Mandatorily Redeemable Preferred Equity and Available Financial Capacity.

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TWE-A/N Partnership Agreement

Time Warner Entertainment-Advance/Newhouse Partnership (TWE-A/N) is a partnership that was formed in 1994 between TWE and Advance/Newhouse Partnership. The general partnership interests in TWE-A/N are held by Time Warner NY Cable LLC (TW NY Cable) and TWE (collectively, the TW Partners) and Advance/Newhouse Partnership (A/N), a partnership owned by wholly owned subsidiaries of Advance Publications Inc. and Newhouse Broadcasting Corporation. The TW Partners also hold preferred partnership interests. TWE acquired its interest in TWE-A/N as the result of a merger of its wholly owned subsidiary, TWE-A/N Holdco, L.P. (which previously held the interest), into TWE on December 31, 2008.

2002 restructuring of TWE-A/N. The TWE-A/N cable television joint venture was formed by TWE and A/N in December 1995. A restructuring of the partnership was completed during 2002. As a result of this restructuring, cable systems and their related assets and liabilities serving approximately 2.1 million video subscribers as of December 31, 2002 (which amount is not included in TWE-A/N's 4.4 million consolidated video subscribers as of December 31, 2011) located primarily in Florida (the A/N Systems), were transferred to a wholly owned subsidiary of TWE-A/N (the A/N Subsidiary). As part of the restructuring, effective August 1, 2002, A/N's interest in TWE-A/N was converted into an interest that tracks the economic performance of the A/N Systems, while the TW Partners retain the economic interests and associated liabilities in the remaining TWE-A/N cable systems. TWE-A/N's financial results, other than the results of the A/N Systems, are consolidated with TWC's.

Management and operations of TWE-A/N. Subject to certain limited exceptions, TWE is the managing partner, with exclusive management rights of TWE-A/N, other than with respect to the A/N Systems. Also, subject to certain limited exceptions, A/N has authority for the supervision of the day-to-day operations of the A/N Subsidiary and the A/N Systems. In connection with the 2002 restructuring, TWE entered into a services agreement with A/N and the A/N Subsidiary under which TWE agreed to exercise various management functions, including oversight of programming and various engineering-related matters. TWE and A/N also agreed to periodically discuss cooperation with respect to new product development. TWC receives a fee for providing the A/N Subsidiary with high-speed data services and the management functions noted above.

Restrictions on transfer TW Partners. Each TW Partner is generally permitted to directly or indirectly dispose of its entire partnership interest at any time to a wholly owned affiliate of TWE (in the case of transfers by TWE) or to TWE, TWC or a wholly owned affiliate of TWE or TWC (in the case of transfers by TW NY Cable). In addition, the TW Partners are also permitted to transfer their partnership interests through a pledge to secure a loan, or a liquidation of TWE in which TWC, or its affiliates, receives a majority of the interests of TWE-A/N held by the TW Partners. TWE is allowed to issue additional partnership interests in TWE so long as TWC continues to own, directly or indirectly, either 35% or 43.75% of the residual equity capital of TWE, depending on when the issuance occurs.

Restrictions on transfer A/N Partner. A/N is generally permitted to directly or indirectly transfer its entire partnership interest at any time to certain members of the Newhouse family or specified affiliates of A/N. A/N is also permitted to dispose of its partnership interest through a pledge to secure a loan and in connection with specified restructurings of A/N.

Restructuring rights of the partners. TWE and A/N each has the right to cause TWE-A/N to be restructured at any time upon 12 months notice. Upon a restructuring, TWE-A/N is required to distribute the A/N Subsidiary with all of the A/N Systems to A/N in complete redemption of A/N's interests in TWE-A/N, and A/N is required to assume all liabilities of the A/N Subsidiary and the A/N Systems. To date, neither TWE nor A/N has delivered notice of the intent to cause a restructuring of TWE-A/N.

TWE's regular right of first offer. Subject to exceptions, A/N and its affiliates are obligated to grant TWE a right of first offer prior to any sale of assets of the A/N Systems to a third party.

TWE's special right of first offer. Within a specified time period following the first, seventh, thirteenth and nineteenth anniversaries of the deaths of two specified members of the Newhouse family (whose deaths have not yet occurred), A/N has the right to deliver notice to TWE stating that it wishes to transfer some or all of the assets of the A/N Systems, thereby granting TWE the right of first offer to purchase the specified assets. Following delivery of this notice, an appraiser will determine the value of the assets proposed to be transferred. Once the value of the assets has been determined, A/N has the right to terminate its offer to sell the specified assets. If A/N does not terminate its offer, TWE will have the right to purchase the specified assets at a price equal to the value of the specified assets determined by the appraiser. If TWE does not exercise

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its right to purchase the specified assets, A/N has the right to sell the specified assets to an unrelated third party within 180 days on substantially the same terms as were available to TWE.

Wireless

On December 2, 2011, SpectrumCo entered into an agreement pursuant to which it will sell its AWS licenses that cover 20MHz over 80% of the continental U.S. and Hawaii to Verizon Wireless for \$3.6 billion in cash. TWC, which owns 31.2% of SpectrumCo, will be entitled to receive approximately \$1.1 billion in cash. This transaction, which is subject to certain regulatory approvals and customary closing conditions, is expected to close during 2012. On February 9, 2012, Comcast and Verizon Wireless received a Request for Additional Information and Documentary Materials from the U.S. Department of Justice in connection with their required notification filed under the Hart-Scott-Rodino Act.

Clearwire Communications

As of December 31, 2011, TWC held a 3.4% equity interest in Clearwire Communications LLC (Clearwire Communications), the operating subsidiary of Clearwire Corporation (Clearwire), a publicly traded company that was formed by the combination of the respective wireless broadband businesses of Sprint and Clearwire Communications. Clearwire's Class A Common Stock is listed for trading on the NASDAQ Global Select Market. In connection with TWC's initial investment in Clearwire Communications in 2008, affiliates of TWC and certain of the other Clearwire investors entered into an operating agreement, an equity holders' agreement, a registration rights agreement (the Registration Rights Agreement) and a strategic investor agreement governing certain rights and obligations of the parties with respect to the governance of Clearwire. Under the Registration Rights Agreement, TWC is entitled to two demand registration rights (other than demands to file a registration statement on Form S-3) as long as the securities to be registered have an aggregate price to the public of not less than \$50 million. On December 21, 2009, Clearwire filed a shelf registration statement providing for the registration and sale of all Clearwire securities held by TWC as of such date.

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Item 1A. Risk Factors.

Risks Related to Competition

TWC faces a wide range of competition, which could negatively affect its business and financial results.

TWC's industry is, and will continue to be, highly competitive. Some of TWC's principal residential services competitors (incumbent local telephone companies, in particular) offer services that provide features and functions comparable to the residential video, high-speed data and/or voice services that TWC offers, and they offer them in bundles similar to TWC's. In a number of TWC's operating areas, AT&T and Verizon have upgraded their networks to carry two-way video, high-speed data with substantial bandwidth and IP-based telephony services, which they market and sell in bundles, in some cases, along with their wireless services.

In addition, each of TWC's residential services faces competition from other companies that provide services on a stand-alone basis. TWC's residential video service faces competition from DBS providers that try to distinguish their services from TWC's by offering aggressive promotional pricing, exclusive programming, and/or assertions of superior service or offerings. Increasingly, TWC's residential video service also faces competition from companies that deliver content to consumers over the Internet and on mobile devices, some without charging a fee for access to the content. This trend could negatively impact customer demand for TWC's residential video service, especially premium channels and VOD services, and could encourage content owners to seek higher license fees from TWC in order to subsidize their free distribution of content. TWC's residential high-speed data and voice services also face competition from wireless Internet and voice providers, and TWC's residential voice service faces competition from over-the-top phone service and other communication alternatives, including texting, social networking and email.

TWC also competes across each of its business high-speed data, networking and voice services with ILECs and CLECs. TWC's cell tower backhaul service faces competition from ILECs and CLECs, as well as other carriers, such as metro and regional fiber providers. TWC's business video service faces competition from direct broadcast satellite providers. Through its NaviSite subsidiary, TWC competes with cloud, hosting and related service providers and application-service providers. In advertising, TWC competes for advertising revenues across many different platforms against a wide range of local and national competitors.

Any inability to compete effectively or an increase in competition could have an adverse effect on TWC's financial results and return on capital expenditures due to possible increases in the cost of gaining and retaining subscribers and lower per subscriber revenue, could slow or cause a decline in TWC's growth rates, and reduce TWC's revenues. As TWC expands and introduces new and enhanced services, TWC may be subject to competition from other providers of those services. TWC cannot predict the extent to which this competition will affect its future business and financial results or return on capital expenditures.

Future advances in technology, as well as changes in the marketplace, in the economy and in the regulatory and legislative environments, may result in changes to the competitive landscape. For additional information, see Risks Related to Government Regulation, Business Competition and Regulatory Matters.

TWC faces risks relating to competition for the leisure and entertainment time of audiences, which has intensified in part due to advances in technology.

In addition to the various competitive factors discussed above, TWC's business is subject to risks relating to increasing competition for the leisure and entertainment time of consumers. TWC's business competes with all other sources of entertainment and information delivery. Technological advancements, such as new video formats and Internet streaming and downloading, many of which have been beneficial to TWC's business, have nonetheless increased the number of entertainment and information delivery choices available to consumers and intensified the challenges posed by audience fragmentation. Increasingly, content owners are delivering their content directly to consumers over the Internet, often without charging any fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are more readily able to watch such Internet-delivered content on television sets and mobile devices. The increasing number of choices available to audiences could negatively impact not only consumer demand for TWC's products and services, but also advertisers' willingness to purchase advertising from TWC. If TWC does not respond appropriately to the increasing leisure and entertainment choices available to consumers, TWC's competitive position could deteriorate, and TWC's financial results could suffer.

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Risks Related to TWC's Operations

A prolonged economic downturn, especially a continued downturn in the housing market, may negatively impact TWC's ability to attract new subscribers and generate increased revenues.

The U.S. economy has experienced a protracted slowdown, and the future economic environment may continue to be challenging. A continuation or further weakening of these economic conditions could lead to further reductions in consumer demand for the Company's services, especially premium services and DVRs, and a continued increase in the number of homes that replace their wireline telephone service with wireless service or over-the-top phone service and their video service with Internet-delivered and/or over-air content, which would negatively impact TWC's ability to attract customers, increase rates and maintain or increase revenues. In addition, providing video services is an established and highly penetrated business. TWC's ability to gain new video subscribers is dependent to a large extent on growth in occupied housing in TWC's service areas, which is influenced by both national and local economic conditions. If the number of occupied homes in TWC's operating areas continues to decline and/or the number of home foreclosures significantly increases, it may negatively impact TWC's ability to gain new video subscribers.

TWC's business is characterized by rapid technological change, and if TWC does not respond appropriately to technological changes, its competitive position may be harmed.

TWC operates in a highly competitive, consumer-driven and rapidly changing environment and its success is, to a large extent, dependent on its ability to acquire, develop, adopt and exploit new and existing technologies to distinguish its services from those of its competitors. If TWC chooses technologies or equipment that are less effective, cost-efficient or attractive to its customers than those chosen by its competitors, or if TWC offers services that fail to appeal to consumers, are not available at competitive prices or that do not function as expected, TWC's competitive position could deteriorate, and TWC's business and financial results could suffer.

The ability of TWC's competitors to acquire or develop and introduce new technologies, products and services more quickly than TWC may adversely affect TWC's competitive position. Furthermore, advances in technology, decreases in the cost of existing technologies or changes in competitors' product and service offerings also may require TWC in the future to make additional research and development expenditures or to offer at no additional charge or at a lower price certain products and services TWC currently offers to customers separately or at a premium. In addition, the uncertainty of the costs for obtaining intellectual property rights from third parties could impact TWC's ability to respond to technological advances in a timely manner.

Regulation may limit TWC's ability to make required investments or adopt business models that are needed to continue to provide robust high-speed data service.

The rising popularity of bandwidth-intensive Internet-based services increases the demand for and usage of TWC's high-speed data service. Examples of such services include the delivery of video via streaming technology and by download, peer-to-peer file sharing services and gaming services. TWC will need flexibility to develop pricing and business models that will allow it to respond to such changing consumer uses and demands and, if necessary, to invest more capital than currently expected to increase the bandwidth capacity of its systems. TWC's ability to do these things could be restricted by legislative or regulatory efforts to impose so-called net neutrality requirements on cable operators. See

Risks Related to Government Regulation Net neutrality legislation or regulation could limit TWC's ability to operate its high-speed data business profitably and to manage its broadband facilities efficiently.

TWC relies on network and information systems and other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, cyber attacks, misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt TWC's business.

Because network and information systems and other technologies are critical to TWC's operating activities, network or information system, shutdowns caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, cyber attacks and other malicious activity pose increasing risks. TWC's network and information systems are also vulnerable to damage or interruption from power outages, natural disasters, terrorist attacks and similar events. Any of these events could have an adverse impact on TWC and its customers, including degradation of service, service disruption, excessive call volume to call centers and damage to TWC's plant, equipment, data and reputation.

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Such an event also could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future. Significant incidents could result in a disruption of TWC's operations, customer dissatisfaction, or a loss of customers or revenues.

Furthermore, TWC's operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in TWC's information technology systems and networks, including customer, personnel and vendor data. TWC could be exposed to significant costs if such risks were to materialize, and such events could damage the reputation and credibility of TWC and its business and have a negative impact on its revenues. TWC also could be required to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, information-related risks are increasing, particularly for businesses like TWC's that handle a large amount of personal customer data.

TWC's business may be adversely affected if TWC cannot continue to license or enforce the intellectual property rights on which its business depends.

TWC 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 technology and the products and services used in TWC's operations. However, any of TWC's intellectual property rights could be challenged or invalidated, or such intellectual property rights may not be sufficient to permit TWC to take advantage of current industry trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm. Claims of intellectual property infringement could require TWC to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question, which could require TWC to change its business practices or offerings and limit its ability to compete effectively. Even claims without merit can be time-consuming and costly to defend and may divert management's attention and resources away from TWC's businesses. Also, because of the rapid pace of technological change, TWC relies on technologies developed or licensed by third parties, and TWC may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms, if at all.

TWC is party to agreements with Time Warner and an affiliate of Time Warner governing the use of Time Warner Cable and Road Runner that may be terminated if TWC fails to perform its obligations under those agreements or if TWC undergoes a specified change of control.

TWC licenses Time Warner Cable and Road Runner from Time Warner Inc. (Time Warner) and an affiliate of Time Warner, respectively. These license agreements may be terminated by Time Warner or its affiliate if TWC commits a significant breach of its obligations under such agreements, undergoes a specified change of control, or materially fails to maintain the quality standards established for the use of these trademarks and the products and services related to these trademarks.

If Time Warner or its affiliate terminates these brand name license agreements, TWC would lose the goodwill associated with its brand names and be forced to develop new brand names, which would likely require substantial expenditures, and TWC's business, financial results or financial condition could be materially adversely affected.

The accounting treatment of goodwill and other identified intangibles could result in future asset impairments, which would be recorded as operating losses.

Authoritative guidance issued by the Financial Accounting Standards Board (FASB) requires that goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and other intangible assets deemed to have indefinite useful lives, such as cable franchise rights, cease to be amortized. The guidance requires that goodwill and certain intangible assets be tested annually for impairment or upon the occurrence of a triggering event. If the carrying value of goodwill or a certain intangible asset exceeds its estimated fair value, an impairment charge is recognized in an amount equal to that excess. Any such impairment is required to be recorded as a noncash operating loss.

TWC's 2011 annual impairment analysis, which was performed as of July 1, 2011, did not result in any goodwill or cable franchise rights impairment charges. However, it is possible that impairment charges may be recorded in the future to

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reflect potential declines in fair value. See Management's Discussion and Analysis of Results of Operations and Financial Condition Critical Accounting Policies and Estimates Asset Impairments Indefinite-lived Intangible Assets and Goodwill.

TWC has incurred substantial debt, which may limit its flexibility and prevent it from taking advantage of business opportunities.

As of December 31, 2011, TWC had \$21.565 billion of net debt and mandatorily redeemable preferred equity. This level of indebtedness may limit TWC's ability to respond to market conditions, provide for capital investment needs or take advantage of business opportunities.

Risks Related to Dependence on Third Parties

Increases in programming and retransmission costs or the inability to obtain popular programming could adversely affect TWC's operations, business or financial results.

Video programming costs represent a major component of TWC's expenses and are expected to continue to do so primarily due to the increasing cost of obtaining desirable programming, particularly broadcast and sports programming. TWC's video programming costs as a percentage of video revenues have increased over recent years and will continue to increase over the next coming years as cable programming and broadcast station retransmission consent cost increases outpace growth in video revenues. Furthermore, providers of desirable content may be unwilling to enter into distribution arrangements with TWC on acceptable terms and owners of non-broadcast video programming content may enter into exclusive distribution arrangements with TWC's competitors. A failure to carry programming that is attractive to TWC's subscribers could adversely impact subscription and advertising revenues.

TWC may not be able to obtain necessary hardware, software and operational support.

TWC depends on third party suppliers and licensors to supply some of the hardware, software and operational support necessary to provide some of TWC's services. Some of these vendors represent TWC's sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. If demand exceeds these vendors' capacity, they experience operating or financial difficulties, they significantly increase the amount TWC pays for necessary products or services, or they cease production of any necessary product due to lack of demand, TWC's ability to provide some services may be materially adversely affected. Any of these events could materially and adversely affect TWC's ability to retain and attract subscribers, and have a material negative impact on TWC's operations, business, financial results and financial condition.

Risks Related to Government Regulation

TWC's business is subject to extensive governmental regulation, which could adversely affect its operations.

TWC's video and voice services are subject to extensive regulation at the federal, state and local levels. In addition, the federal government has extended regulation to high-speed data services. TWC is also subject to regulation of its video services relating to rates, equipment, technologies, programming, levels and types of services, taxes and other charges. Modification to existing regulations or the imposition of new regulations could have an adverse impact on TWC's services. TWC expects that legislative enactments, court actions and regulatory proceedings will continue to clarify and, in some cases, change the rights of cable companies and other entities providing video, high-speed data and voice services under the Communications Act and other laws, possibly in ways that TWC has not foreseen. The results of these legislative, judicial and administrative actions may materially affect TWC's business operations.

Changes in broadcast carriage regulations could impose significant additional costs on TWC.

Although TWC would likely choose to carry the majority of primary feeds of full power stations voluntarily, so-called "must carry" rules require TWC to carry some local broadcast television signals on some of its cable systems that it might not otherwise carry. If the FCC seeks to revise or expand the "must carry" rules, such as to require carriage of multicast streams, TWC would be forced to carry video programming that it would not otherwise carry and potentially drop other, more popular programming in order to free capacity for the required programming, which could make TWC less competitive. Moreover, if the FCC adopts rules that are not competitively neutral, cable operators could be placed at a disadvantage versus other multi-channel video providers.

Table of Contents***Under the program carriage rules, TWC could be compelled to carry programming services that it would not otherwise carry.***

The Communications Act and the FCC's program carriage rules restrict cable operators and MVPDs from unreasonably restraining the ability of an unaffiliated programming vendor to compete fairly by discriminating against the programming vendor on the basis of its non-affiliation in the selection, terms or conditions for carriage. The FCC's Adelphia/Comcast Transactions Order imposes certain additional obligations related to these rules, and, in August 2011, the FCC issued a program carriage order and further notice of proposed rulemaking, which TWC and the National Cable and Telecommunications Association appealed to the U.S. Court of Appeals for the Second Circuit. Under a successful program carriage complaint, TWC might be compelled to carry programming services it would not otherwise carry and/or to do so on economic and other terms that it would not accept absent such compulsion. TWC is currently the defendant in a program carriage complaint. See Business Regulatory Matters Video Services Program carriage and Adelphia/Comcast Transactions Order. Compelled government carriage could reduce TWC's ability to carry other, more desirable programming and non-video services, decrease its ability to manage its bandwidth efficiently and increase TWC's costs, adversely affecting TWC's competitive position.

Net neutrality legislation or regulation could limit TWC's ability to operate its high-speed data business profitably and to manage its broadband facilities efficiently.

On December 21, 2010, the FCC adopted an Open Internet Order imposing net neutrality obligations on broadband Internet access providers. The new Open Internet rules, which became effective on November 20, 2011, are based on principles of transparency, no blocking and no unreasonable discrimination and are applicable to fixed and wireless broadband Internet access providers to different extents. Under the new rules, fixed and wireless broadband Internet access providers, including TWC, are required to make their practices transparent to both consumers and providers of Internet content, services, applications and devices on both the website and at the point-of-sale. In addition, subject to reasonable network management, fixed broadband Internet access providers, including TWC, are prohibited from blocking lawful content, applications, services and non-harmful devices, and from engaging in unreasonable discrimination in transmitting lawful traffic.

In order to continue to provide quality high-speed data service at attractive prices, TWC needs the continued flexibility to develop and refine business models that respond to changing consumer uses and demands, to manage bandwidth usage efficiently and to continue to invest in its systems. It is unclear how the FCC's net neutrality regulations will be implemented now that they have become effective, and how reasonable network management will be determined. The new regulations could adversely impact TWC's ability to operate its high-speed data network profitably and to undertake the upgrades and put into operation management practices that may be needed to continue to provide high quality high-speed data services and could negatively impact its ability to compete effectively. For a description of the obligations that became effective late last year, see Business Regulatory Matters High-speed Internet Access Services Net neutrality legislative proposals and regulations.

Rate regulation could materially adversely impact TWC's operations, business, financial results or financial condition.

Under current FCC regulations, rates for basic service tier or BST video service and associated equipment are permitted to be regulated. In over 75% of the communities it serves, TWC is not subject to BST video rate regulation, either because the local franchising authority has not asked the FCC for permission to regulate rates or because the FCC has found that there is effective competition. Also, there is currently no rate regulation for TWC's other services, including high-speed data and voice services. It is possible, however, that the FCC or Congress will adopt more extensive rate regulation for TWC's video services or regulate the rates of other services, such as high-speed data and voice services, which could impede TWC's ability to raise rates, or require rate reductions, and therefore could cause TWC's business, financial results or financial condition to suffer.

TWC may encounter substantially increased pole attachment costs.

Under federal law, TWC has the right to attach cables carrying video and other services to telephone and similar poles of investor-owned utilities at regulated rates. However, because these cables may carry services other than video services, such as high-speed data services or new forms of voice services, some utility pole owners have sought to impose additional fees for pole attachment. On April 7, 2011, the FCC adopted an Order comprehensively revising its pole attachment rules. The new rules, which became effective June 8, 2011, seek to improve the efficiency and reduce the costs of deploying

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telecommunications, cable and broadband networks in order to accelerate broadband deployment. The rules revise the formula for calculating the telecommunications attachment rate to lower it and bring it as close as possible to the video rate. Many utilities seek to impose the telecommunications rate on TWC when it carries services other than video services over its attachments. The April 2011 Order is subject to Petitions for Reconsideration at the FCC and to judicial appeal before the U.S. Circuit Court of Appeals for the District of Columbia. Moreover, the appropriate method for calculating pole attachment rates for cable operators that provide VoIP services remains unclear, and an August 2009 petition from a coalition of electric utility companies asking the FCC to declare that the pole attachment rate for cable companies' digital telephone service should be assessed at the telecommunications service rate is still pending.

Some of the poles TWC uses are exempt from federal regulation because they are owned by utility cooperatives and municipal entities. These entities may not renew TWC's existing agreements when they expire, and they may require TWC to pay substantially increased fees. A number of these entities are currently seeking to impose substantial rate increases. Any increase in TWC's pole attachment rates or inability to secure continued pole attachment agreements with these cooperatives or municipal utilities on commercially reasonable terms could cause TWC's business, financial results or financial condition to suffer.

The IRS and state and local tax authorities may challenge the tax characterizations of the Adelphia Acquisition (as defined below), the Redemptions (as defined below) and the Exchange (as defined below), or TWC's related valuations, and any successful challenge by the IRS or state or local tax authorities could materially adversely affect TWC's tax profile, significantly increase TWC's future cash tax payments and significantly reduce TWC's future earnings and cash flow.

The acquisition by TW NY Cable and Comcast of assets comprising in aggregate substantially all of the cable assets of Adelphia (the Adelphia Acquisition) was designed to be a fully taxable asset sale, the redemption by TWC of Comcast's interests in TWC (the TWC Redemption) was designed to qualify as a tax-free split-off under section 355 of the Internal Revenue Code of 1986, as amended (the Tax Code), the redemption by TWE of Comcast's interests in TWE (the TWE Redemption) and collectively with the TWC Redemption, the Redemptions) was designed as a redemption of Comcast's partnership interest in TWE, and the exchange between TW NY Cable and Comcast immediately after the Adelphia Acquisition (the Exchange) was designed as an exchange of designated cable systems. There can be no assurance, however, that the Internal Revenue Service (the IRS) or state or local tax authorities (collectively with the IRS, the Tax Authorities) will not challenge one or more of such characterizations or TWC's related valuations. Such a successful challenge by the Tax Authorities could materially adversely affect TWC's tax profile (including TWC's ability to recognize the intended tax benefits from the Adelphia/Comcast transactions), significantly increase TWC's future cash tax payments and significantly reduce TWC's future earnings and cash flow. The tax consequences of the Adelphia Acquisition, the Redemptions and the Exchange are complex and, in many cases, subject to significant uncertainties, including, but not limited to, uncertainties regarding the application of federal, state and local income tax laws to various transactions and events contemplated therein and regarding matters relating to valuation.

If the Separation Transactions (as defined below), including the Distribution (as defined below), do not qualify as tax-free, either as a result of actions taken or not taken by TWC or as a result of the failure of certain representations by TWC to be true, TWC has agreed to indemnify Time Warner for its taxes resulting from such disqualification, which would be significant.

As part of TWC's separation from Time Warner in March 2009 (the Separation), Time Warner received a private letter ruling from the IRS and Time Warner and TWC received opinions of tax counsel confirming that the transactions undertaken in connection with the Separation, including the transfer by a subsidiary of Time Warner of its 12.43% non-voting common stock interest in TW NY to TWC in exchange for 80 million newly issued shares of TWC's Class A common stock, TWC's payment of a special cash dividend to holders of TWC's outstanding Class A and Class B common stock, the conversion of each share of TWC's outstanding Class A and Class B common stock into one share of TWC common stock, and the pro-rata dividend of all shares of TWC common stock held by Time Warner to holders of record of Time Warner's common stock (the Distribution) and, together with all of the transactions, the Separation Transactions), should generally qualify as tax-free to Time Warner and its stockholders for U.S. federal income tax purposes. The ruling and opinions rely on certain facts, assumptions, representations and undertakings from Time Warner and TWC regarding the past and future conduct of the companies' businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not otherwise satisfied, Time Warner and its stockholders may not be able to rely on the ruling or the opinions and could be subject to significant tax liabilities. Notwithstanding the private letter ruling and opinions, the IRS could determine on audit that the Separation Transactions should be treated as taxable transactions if it determines that

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any of these facts, assumptions, representations or undertakings are not correct or have been violated, or for other reasons, including as a result of significant changes in the stock ownership of Time Warner or TWC after the Distribution.

Under the tax sharing agreement among Time Warner and TWC, TWC generally would be required to indemnify Time Warner against its taxes resulting from the failure of any of the Separation Transactions to qualify as tax-free 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. In addition, even if TWC bears no contractual responsibility for taxes related to a failure of the Separation Transactions to qualify for their intended tax treatment, Treasury regulation section 1.1502-6 imposes on TWC several liability for all Time Warner federal income tax obligations relating to the period during which TWC was a member of the Time Warner federal consolidated tax group, including the date of the Separation Transactions. Similar provisions may apply under foreign, state or local law. Absent TWC causing the Separation Transactions to not qualify as tax-free, Time Warner has indemnified TWC against such several liability arising from a failure of the Separation Transactions to qualify for their intended tax treatment.

Tax legislation and administrative initiatives or challenges to the Company's tax positions could adversely affect the Company's results of operations and financial condition.

TWC operates cable systems in locations throughout the U.S. and, as a result, it is subject to the tax laws and regulations of the U.S. federal, state and local governments. From time to time, various legislative and/or administrative initiatives may be proposed that could adversely affect the Company's tax positions. There can be no assurance that the Company's effective tax rate or tax payments will not be adversely affected by these initiatives. As a result of state and local budget shortfalls due primarily to the economic environment as well as other considerations, certain states and localities have imposed or are considering imposing new or additional taxes or fees on TWC's services or changing the methodologies or base on which certain fees and taxes are computed. Such potential changes include additional taxes or fees on TWC's services that could impact its customers, combined reporting and other changes to general business taxes, central/unit-level assessment of property taxes and other matters that could increase TWC's income, franchise, sales, use and/or property tax liabilities. In addition, U.S. federal, state and local tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that TWC's tax positions will not be challenged by relevant tax authorities or that TWC would be successful in any such challenge.

Applicable law is subject to change.

The exact requirements of applicable law are not always clear, and the rules affecting TWC's businesses are always subject to change. For example, the FCC may interpret its rules and regulations in enforcement proceedings in a manner that is inconsistent with the judgments TWC has made. Likewise, regulators and legislators at all levels of government may sometimes change existing rules or establish new rules. Congress, for example, considers new legislative requirements for cable operators virtually every year, and there is always a risk that such proposals will ultimately be enacted. In addition, federal, state or local governments and/or tax authorities may change tax laws, regulations or administrative practices that could negatively impact TWC's operating results and financial condition. See Business Regulatory Matters.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

TWC's principal physical assets consist of operating plant and equipment, including signal receiving, encoding and decoding devices, headends and distribution systems and equipment at or near subscribers' homes for each of TWC's cable systems. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headends, consisting of electronic equipment necessary for the reception, amplification and modulation of signals, are located near the receiving devices. TWC's distribution system consists primarily of fiber optic and coaxial cables, lasers, routers, switches and related electronic equipment. TWC's cable plant and related equipment generally are either attached to utility poles under pole rental agreements with local public utilities or the distribution cable is buried in underground ducts or trenches. Customer premise equipment consists principally of set-top boxes and cable modems. The physical components of cable systems require periodic maintenance.

TWC's high-speed data backbone consists of fiber owned by TWC or circuits leased from third-party vendors, and related equipment. TWC also operates regional and national data centers with equipment that is used to provide services,

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such as e-mail, news and web services to TWC’s high-speed data subscribers and to provide services to TWC’s voice customers. In addition, TWC maintains a network operations center with equipment necessary to monitor and manage the status of TWC’s high-speed data network.

As of December 31, 2011, TWC leased and owned real property housing national operations centers and regional data centers used in its high-speed data services business in Herndon, Virginia; Raleigh, North Carolina; Syracuse, New York; Austin, Texas; Kansas City, Missouri; Orange County, California; New York, New York; Coudersport, Pennsylvania; Denver, Colorado and Columbus, Ohio, and TWC also leased and owned locations for its corporate offices in New York, New York and Charlotte, North Carolina as well as numerous business offices, warehouses and properties housing regional operations throughout the U.S. TWC’s subsidiary, NaviSite, leases two locations for its corporate office in Andover, Massachusetts and leases offices and data centers in various cities in the U.S., an office and data centers in the United Kingdom and an office in India. TWC’s signal reception sites, primarily antenna towers and headends, and microwave facilities are located on owned and leased parcels of land, and TWC owns or leases space on the towers on which certain of its equipment is located. TWC owns most of its service vehicles.

TWC believes that its properties, both owned and leased, taken as a whole, are in good operating condition and are suitable and adequate for its business operations.

Item 3. Legal Proceedings.

Legal Proceedings

On April 7, 2011, the Company filed a complaint in the U.S. District Court for the Southern District of New York against Viacom International Inc. and several of its subsidiaries (Viacom). The complaint asked the court to render a declaratory judgment that certain programming agreements between the Company and Viacom allow the Company to provide video programming services to its customers over its cable systems through devices of the customers’ choosing, including through the Company’s iPad App and Smart TVs. The complaint further asks the court to declare that by providing video programming services to its customers in this fashion, the Company is not infringing Viacom copyrights. The same day, Viacom filed its own complaint against the Company in the same court, alleging copyright and trademark infringement and breach of contract, and asking for a declaratory judgment that the programming agreements between the Company and Viacom do not allow the Company to distribute Viacom programming via broadband. The parties entered into a standstill agreement, effective June 17, 2011, pursuant to which no further activity would take place in the cases while the parties explored possible settlement of this and other issues between the companies. On October 3, 2011, the Company terminated the standstill agreement and filed an answer to Viacom’s complaint as well as a counterclaim alleging that Viacom is in breach of its agreement with the Company concerning Viacom’s CMT (formerly Country Music Television) service. On November 2, 2011, Viacom filed a motion to dismiss the Company’s counterclaim. The Company intends to prosecute its lawsuit, and defend against Viacom’s complaint, vigorously, but is unable to predict the outcome of Viacom’s lawsuit or reasonably estimate a range of possible loss.

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

On November 14, 2008, the plaintiffs in *Mark Swinegar, et al. v. Time Warner Cable Inc.*, filed a second amended complaint in the Los Angeles County Superior Court, as a purported class action, alleging that the Company provided to and charged plaintiffs for equipment that they had not affirmatively requested in violation of the proscription in the Cable Consumer Protection and Competition Act of 1992 (the Cable Act) against negative option billing and that such violation was an unlawful act or practice under California’s Unfair Competition Law (the UCL). Plaintiffs are seeking restitution under the UCL and attorneys’ fees. On February 23, 2009, the court denied the Company’s motion to dismiss the

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second amended complaint and, on July 29, 2010, the court denied the Company's motion for summary judgment. On October 7, 2010, the Company filed a petition for a declaratory ruling with the FCC requesting that the FCC determine whether the Company's general ordering process complies with the Cable Act's negative option billing restriction. On March 1, 2011, the FCC issued a Declaratory Ruling that informed consent is adequate to satisfy the requirements under the Cable Act. On March 29, 2011, the Los Angeles County Superior Court vacated its prior summary judgment ruling and, on May 12, 2011, the court granted the Company's motion for summary judgment. On June 13, 2011, plaintiffs filed a motion for reconsideration of the decision, which the court denied on July 28, 2011. On September 26, 2011, plaintiffs filed a notice of appeal to the California Court of Appeal for the Second District. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On 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. The complaint, which also named as defendants several other cable and satellite providers (collectively, the distributor defendants) as well as programming content providers (collectively, the programmer defendants), alleged violations of Sections 1 and 2 of the Sherman Antitrust Act. 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. Plaintiffs, who seek to represent a purported nationwide class of cable and satellite subscribers, are seeking, among other things, unspecified treble monetary damages and an injunction to compel the offering of channels to subscribers on an à la carte basis. On December 3, 2007, plaintiffs filed an amended complaint in this action that, among other things, dropped the Section 2 claims and all allegations of horizontal coordination. On October 15, 2009, the district court granted with prejudice a motion by the distributor defendants and the programmer defendants to dismiss the plaintiffs' third amended complaint, terminating the action. On April 19, 2010, plaintiffs appealed this decision to the U.S. Court of Appeals for the Ninth Circuit and, on June 3, 2011, the court reaffirmed the district court's decision. On July 7, 2011, plaintiffs filed a petition for *en banc* rehearing and, on October 31, 2011, the U.S. Court of Appeals for the Ninth Circuit withdrew the June 3, 2011 decision and directed that the appellate panel be reconstituted to consider the plaintiffs' appeal. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On August 7, 2009, the plaintiffs in *Jessica Fink and Brett Noia, et al. v. Time Warner Cable Inc.*, filed an amended complaint in a purported class action in U.S. District Court for the Southern District of New York alleging that the Company uses a throttling technique which intentionally delays and/or blocks a user's high-speed data service. Plaintiffs are seeking unspecified monetary damages, injunctive relief and attorneys' fees. On September 6, 2011, the district court partially granted the Company's motion for summary judgment and/or for partial judgment on the pleadings, but denied the motion as to two claims under the Computer Fraud and Abuse Act of 1986 (CFAA) and one common law fraud claim. On October 28, 2011, the district court granted the Company's motion for reconsideration of the court's denial of the Company's motion as to the two CFAA claims, dismissing the CFAA claims with prejudice. On September 30, 2011, plaintiffs filed a second amended complaint and, on December 23, 2011, the district court granted with prejudice the Company's motion to dismiss the plaintiffs' second amended complaint, terminating the action. On January 23, 2012, the plaintiffs appealed this decision to the U.S. Court of Appeals for the Second Circuit. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On January 27, 2011, the plaintiffs in *Calzada, et al. v. Time Warner Cable LLC*, filed a purported class action in the Los Angeles County Superior Court alleging that the Company recorded phone calls with plaintiffs without notice in violation of provisions of the California Penal Code and the California Unfair Business Practices Act. The plaintiffs are seeking, among other things, unspecified treble monetary damages, injunctive relief, restitution and attorneys' fees. On April 4, 2011, the plaintiff filed an amended complaint in this action that, among other things, omitted the unfair business practices claim and removed two of the three named plaintiffs. The parties reached a settlement to resolve this action on terms that are not material to the Company and submitted their agreement to the court on January 5, 2012. Absent the issuance of a final court approval of the settlement, the Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

Certain Patent Litigation

On December 19, 2011, Sprint filed a complaint in the U.S. District Court for the District of Kansas alleging that the Company infringes 12 patents purportedly relating to VoIP services. Sprint is seeking unspecified monetary damages as well

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as injunctive relief. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On September 1, 2006, Ronald A. Katz Technology Licensing, L.P. (Katz) filed a complaint in the U.S. District Court for the District of Delaware alleging that the Company and several other cable operators, among other defendants, infringe 18 patents purportedly relating to the Company's customer call center operations and/or voicemail services. The plaintiff is seeking unspecified monetary damages as well as injunctive relief. On March 20, 2007, this case, together with other lawsuits filed by Katz, was made subject to a MDL Order transferring the case for pretrial proceedings to the U.S. District Court for the Central District of California. In April 2008, TWC and other defendants filed common motions for summary judgment, which argued, among other things, that a number of claims in the patents at issue are invalid under Sections 112 and 103 of the Patent Act. On June 19, 2008 and August 4, 2008, the court issued orders granting, in part, and denying, in part, those motions. Defendants filed additional individual motions for summary judgment in August 2008, which argued, among other things, that defendants' respective products do not infringe the surviving claims in plaintiff's patents. On August 13, 2009, the district court found one additional patent invalid, but denied defendants' motions for summary judgment on three remaining patents and, on October 27, 2009, the district court denied the defendants' requests for reconsideration of the decision. Based on motions for summary judgment brought by other defendants, the district court found, in decisions on January 29, 2010 and December 3, 2010, two of the three remaining patents invalid with respect to those defendants. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

On June 1, 2006, Rembrandt Technologies, LP (Rembrandt) filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that the Company and a number of other cable operators infringed several patents purportedly related to a variety of technologies, including high-speed data and IP-based telephony services. In addition, on September 13, 2006, Rembrandt filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that the Company infringed several patents purportedly related to high-speed cable modem internet products and services. On June 18, 2007, these cases, along with other lawsuits filed by Rembrandt, were made subject to an MDL Order transferring the case for pretrial proceedings to the U.S. District Court for the District of Delaware. In November 2008, the district court issued its claims construction orders. In response to these orders, the plaintiff dismissed its claims relating to the alleged infringement of eight patents purportedly relating to high-speed data and IP-based telephony services. On September 7, 2011, the district court granted summary judgment on Rembrandt's one remaining claim and, on September 28, 2011, Rembrandt appealed the decision to the U.S. Court of Appeals for the Federal Circuit. The Company intends to defend against the lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

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

As part of the restructuring of TWE in 2003, Time Warner agreed to indemnify the Company from and against any and all liabilities relating to, arising out of or resulting from specified litigation matters brought against the TWE non-cable businesses. Although Time Warner has agreed to indemnify the Company against such liabilities, TWE remains a named party in certain litigation matters.

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

Item 4. *Mine Safety Disclosures.*

Not applicable.

Table of Contents**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 17, 2012.

Glenn A. Britt	62	Chairman and Chief Executive Officer
Ellen M. East	50	Executive Vice President and Chief Communications Officer
Irene M. Esteves	53	Executive Vice President and Chief Financial Officer
Michael L. LaJoie	57	Executive Vice President and Chief Technology Officer
Marc Lawrence-Apfelbaum	56	Executive Vice President, General Counsel and Secretary
Gail G. MacKinnon	49	Executive Vice President and Chief Government Relations Officer
Robert D. Marcus	46	President and Chief Operating Officer
Tomas G. Mathews	51	Executive Vice President, Human Resources
Carl U.J. Rossetti	63	Executive Vice President and President, Time Warner Cable Ventures
Peter C. Stern	40	Executive Vice President and Chief Strategy Officer
Melinda C. Witmer	50	Executive Vice President and Chief Programming Officer

Set forth below are the principal positions held during at least the last five years by each of the executive officers named above:

Mr. Britt	Glenn A. Britt has served as the Chief Executive Officer of the Company and its predecessors since August 2001. He also has served as the Company's Chairman since March 2009 and previously from August 2001 to March 2006. Prior to assuming the Chief Executive Officer position, Mr. Britt held various senior positions with Time Warner Cable Ventures, a unit of TWE, certain of the Company's predecessor entities, and Time Warner Inc. and its predecessor Time Inc.
Ms. East	Ellen M. East has served as the Company's Executive Vice President and Chief Communications Officer since October 2007. Prior to that, she served as Vice President of Communications and Public Affairs at Cox Communications Inc., a provider of video, Internet and telephone services, from January 2000 having served in various other positions there from 1993. In that capacity, she oversaw internal, external and shareholder communications and community relations and provided strategic advice on public and media relations, industry affairs and regulatory issues.
Ms. Esteves	Irene M. Esteves has served as the Company's Executive Vice President and Chief Financial Officer since July 2011. Prior to joining the Company, she held executive positions in finance, strategy and other areas of corporate leadership: From May 2010, she served as Executive Vice President and Chief Financial Officer at XL Group plc, a global insurance and reinsurance company; from 2008 to 2010, she served as Senior Executive Vice President and Chief Financial Officer of Regions Financial Corporation, one of the largest commercial and retail banks in the U.S.; and prior to that, she served as the Senior Vice President and Chief Financial Officer of the Capital Management Group at Wachovia Corporation, a financial services company, from 2006. She has also held executive positions overseeing functions including domestic and global finance, human resources and corporate strategy with Putnam Investments, Miller Brewing Company and S.C. Johnson & Sons, Inc.
Mr. LaJoie	Michael L. LaJoie has served as the Company's Executive Vice President and Chief Technology Officer since January 2004. Prior to that, he served as Executive Vice President of Advanced Technology from March 2003 and in the same capacity for the TWC division of TWE from August 2002. Mr. LaJoie served as Vice President of Corporate Development of the Time Warner Cable division of TWE from 1998.

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Mr. Lawrence-Apfelbaum	Marc Lawrence-Apfelbaum has served as the Company's Executive Vice President, General Counsel and Secretary since January 2003. Prior to that, he served as Senior Vice President, General Counsel and Secretary of the Time Warner Cable division of TWE from 1996 and in other positions in the law department prior to that.
Ms. MacKinnon	Gail G. MacKinnon has served as the Company's Executive Vice President and Chief Government Relations Officer since August 2008. Prior to that, she served as Senior Vice President of Global Public Policy for Time Warner Inc. from January 2007. Prior to joining Time Warner Inc., Ms. MacKinnon served as Senior Vice President for Government Relations at the National Cable and Telecommunications Association, where she managed the cable industry's outreach to members of Congress and the Executive Branch from January 2006. Prior to that, she served as Vice President of Government Relations at Viacom Inc. (Viacom), an entertainment company, from May 2000 following Viacom's merger with CBS Corporation, a radio and television broadcasting company, where she served as Vice President, Federal Relations from 1997.
Mr. Marcus	Robert D. Marcus has served as the Company's President and Chief Operating Officer since December 14, 2010. Mr. Marcus served as the Company's Senior Executive Vice President and Chief Financial Officer from January 1, 2008 and as the Company's Senior Executive Vice President from August 2005. Mr. Marcus joined the Company from Time Warner Inc. where he had served as Senior Vice President, Mergers and Acquisitions from 2002. Mr. Marcus joined Time Warner in 1998 as Vice President of Mergers and Acquisitions.
Mr. Mathews	Tomas G. Mathews has served as the Company's Executive Vice President, Human Resources since November 2007. Prior to that, Mr. Mathews served as the Company's Senior Vice President, Human Resources from January 2002. Prior to joining the Company, Mr. Mathews served as the Vice President of International Human Resources at America Online, Inc. (now known as AOL Inc.) from 1999.
Mr. Rossetti	Carl U.J. Rossetti has served as the Company's Executive Vice President and President of Time Warner Cable Ventures since April 2009. Prior to that, Mr. Rossetti served as the Company's Executive Vice President, Corporate Development from August 2002. Previously, Mr. Rossetti served as an Executive Vice President of the Time Warner Cable division of TWE from 1998 and in various other positions since 1976.
Mr. Stern	Peter C. Stern has served as the Company's Executive Vice President and Chief Strategy Officer since March 2008. Prior to that, he served as the Company's Executive Vice President of Product Management from 2005, after serving as Senior Vice President of Strategic Planning from 2004. Mr. Stern joined the Company from Time Warner Inc. where he had served as Vice President of Strategic Initiatives from 2001.
Ms. Witmer	Melinda C. Witmer has served as the Company's Executive Vice President and Chief Programming Officer since January 2007. Prior to that, Ms. Witmer served as the Company's Senior Vice President of Programming from June 2005 and its Vice President and Chief Programming Counsel for programming from 2001. Prior to joining the Company, Ms. Witmer was Vice President and Senior Counsel at Home Box Office, Inc. from 1994.

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

The principal market for the Company's common stock, par value \$0.01 per share (the "TWC Common Stock"), is the New York Stock Exchange. For quarterly price and dividend information for TWC Common Stock for the two years ended December 31, 2011, see "Quarterly Financial Information" at page 129 herein, which information is incorporated herein by reference. There were approximately 31,000 holders of record of TWC Common Stock as of February 15, 2012.

The Company paid a cash dividend of \$0.40 per share of TWC Common Stock in each quarter of 2010, which totaled \$576 million during 2010, and paid a cash dividend of \$0.48 per share of TWC Common Stock in each quarter of 2011, which totaled \$642 million during 2011. On January 25, 2012, the Company's Board of Directors declared an increased quarterly cash dividend of \$0.56 per share of TWC Common Stock, payable in cash on March 15, 2012 to stockholders of record on February 29, 2012. TWC currently expects to pay comparable cash dividends in the future; however, changes in TWC's dividend program will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Company's Board of Directors.

Issuer 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.

	Total Number of Shares Purchased	Average Price Paid Per Share ^(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^(b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ^(c)
October 1, 2011 - October 31, 2011	1,858,200	\$ 67.77	1,858,200	\$ 1,094,277,040
November 1, 2011 - November 30, 2011	1,875,180	60.78	1,875,180	980,304,769
December 1, 2011 - December 31, 2011	2,012,189	62.56	2,012,189	854,422,808
Total	5,745,569	63.66	5,745,569	

(a) The calculation of the average price paid per share does not give effect to any fees, commissions and other costs associated with the repurchase of such shares.

(b) On October 29, 2010, the Company's Board of Directors authorized a stock repurchase program that allows TWC to repurchase, from time to time, up to \$4.0 billion of TWC Common Stock. On January 25, 2012, the Company's Board of Directors increased the remaining authorization under its stock repurchase program (\$758 million as of January 25, 2012) to an aggregate of up to \$4.0 billion of TWC Common Stock effective January 26, 2012. Purchases under the stock repurchase program may be made, from time to time, on the open market and in privately negotiated transactions. The size and timing of these purchases will be based on a number of factors, including TWC's Common Stock price and excess capital levels, as well as business and market conditions.

(c) This amount does not reflect the fees, commissions and other costs associated with the stock repurchase program.

Item 6. Selected Financial Data.

The selected financial information of TWC as of and for the five years ended December 31, 2011 is set forth at pages 127 through 128 herein and is incorporated herein by reference.

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

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The information set forth under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" at pages 38 through 68 herein is incorporated herein by reference.

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

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

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Item 8. *Financial Statements and Supplementary Data.*

The consolidated financial statements of TWC and the report of independent registered public accounting firm thereon set forth at pages 69 through 123 and 125 herein are incorporated herein by reference.

Quarterly Financial Information set forth at page 129 herein is incorporated herein by reference.

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

Not applicable.

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

TWC, 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 TWC'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 TWC's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by TWC 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 TWC is accumulated and communicated to TWC'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 the independent registered public accounting firm thereon set forth at pages 124 and 126 are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have not been any changes in TWC'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.

Table of Contents**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 Annual 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.timewarnercable.com/investors. 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.

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 TWC Common Stock reserved for future issuance under the Company's equity compensation plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights^(b) (i)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights^(b) (ii)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (i))^(c) (iii)
Equity compensation plans approved by security holders ^(a)	15,455,701	\$ 43.79	19,836,353
Equity compensation plans not approved by security holders			
Total	15,455,701	\$ 43.79	19,836,353

(a) Equity compensation plans approved by security holders covers the Time Warner Cable Inc. 2011 Stock Incentive Plan (the 2011 Plan) and the Time Warner Cable Inc. 2006 Stock Incentive Plan, which were approved by the Company's stockholders in May 2011 and May 2007, respectively. The 2011 Plan is currently the Company's only compensation plan pursuant to which the Company's equity is awarded.

(b) Column (i) includes 5,314,760 shares of TWC Common Stock underlying outstanding restricted stock units. Because there is no exercise price associated with restricted stock units, such equity awards are not included in the weighted-average exercise price calculation in column (ii).

(c) A total of 20,000,000 shares of TWC Common Stock have been authorized for issuance pursuant to the terms of the 2011 Plan. Any shares of TWC Common Stock issued in connection with stock options or stock appreciation rights are counted against the 2011 Plan available share reserve as one share for every share subject to an award. Any shares of TWC Common Stock subject to an award of restricted stock units or other full-value awards will be counted against the limit as one share for every one share subject to such award, up to a limit of 9,000,000 shares, above which such shares are deducted from the share authorization at a rate of 3.05 shares for each share subject to such a full value award.

Stock options granted under the 2011 Plan have exercise prices equal to the fair market value of TWC Common Stock at the date of grant. Generally, the stock options vest ratably over a four-year vesting period and expire ten years from the date of grant. Certain stock option awards provide for accelerated vesting upon the grantee's termination of employment after reaching a specified age and years of service. In connection with the Company's payment of the special cash dividend on March 12, 2009 and its 1-for-3 reverse stock split, adjustments were made to the number of underlying shares and exercise prices of outstanding TWC stock options to maintain the fair value of those awards.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(i) The list of consolidated financial statements set forth in the accompanying Index to Consolidated Financial Statements and Other Financial Information at page 37 herein is incorporated herein by reference. Such consolidated financial statements are filed as part of this Annual Report.

(ii) All 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 Annual Report and such Exhibit Index is incorporated herein by reference. Exhibits 10.24 through 10.46 and 10.49 through 10.70 listed on the accompanying Exhibit Index identify management contracts or compensatory plans or arrangements required to be filed as exhibits to this Annual Report, and such listing is incorporated herein by reference.

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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 CABLE INC.

/s/ GLENN A. BRITT

By:

Name: Glenn A. Britt

Title: Chairman and Chief Executive Officer

Dated: February 17, 2012

Pursuant to the requirements of Section 13 or 15(d) 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/ GLENN A. BRITT		
Glenn A. Britt	Chairman and Chief Executive Officer (principal executive officer)	February 17, 2012
/s/ IRENE M. ESTEVES		
Irene M. Esteves	Executive Vice President and Chief Financial Officer (principal financial officer)	February 17, 2012
/s/ WILLIAM F. OSBOURN, JR.		
William F. Osbourn, Jr.	Senior Vice President and Controller (principal accounting officer)	February 17, 2012
/s/ CAROLE BLACK		
Carole Black	Director	February 17, 2012
/s/ THOMAS H. CASTRO		
Thomas H. Castro	Director	February 17, 2012
/s/ DAVID C. CHANG		
David C. Chang	Director	February 17, 2012
/s/ JAMES E. COPELAND, JR.		
James E. Copeland, Jr.	Director	February 17, 2012
/s/ PETER R. HAJE		
Peter R. Haje	Director	February 17, 2012

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Peter R. Haje /s/ DONNA A. JAMES	Director	February 17, 2012
Donna A. James /s/ DON LOGAN	Director	February 17, 2012
Don Logan /s/ N.J. NICHOLAS, JR.	Director	February 17, 2012
N.J. Nicholas, Jr. /s/ WAYNE H. PACE	Director	February 17, 2012
Wayne H. Pace /s/ EDWARD D. SHIRLEY	Director	February 17, 2012
Edward D. Shirley /s/ JOHN E. SUNUNU	Director	February 17, 2012
John E. Sununu	Director	February 17, 2012

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TIME WARNER CABLE INC.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

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

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

Financial statement presentation. This section provides a summary of how the Company's operations are presented in the accompanying consolidated financial statements.

Results of operations. This section provides an analysis of the Company's results of operations for the three years ended December 31, 2011.

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. Also included 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.

Critical accounting policies and estimates. This section discusses accounting policies and estimates that require the use of assumptions that were uncertain at the time the estimate was made and that could have a material effect on the Company's consolidated results of operations or financial condition if there were changes in the estimate or if a different estimate was made. The Company's significant accounting policies, including those considered to be critical accounting policies and estimates, are summarized in Note 3 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 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

TWC is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas—New York State (including New York City), the Carolinas, Ohio, Southern California (including Los Angeles) and Texas. As of December 31, 2011, TWC served approximately 14.5 million customers who subscribed to one or more of its three primary services, totaling approximately 27.1 million primary service units.

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TWC offers its residential and business services customers video, high-speed data and voice services over its broadband cable systems. TWC's business services also include networking and transport services (including cell tower backhaul services) and, through its wholly owned subsidiary, NaviSite, Inc. (NaviSite) (discussed further in Recent Developments), managed and outsourced information technology (IT) solutions and cloud services. During the year ended December 31, 2011, TWC generated total revenues of approximately \$19.7 billion. Of this total, approximately \$17.1 billion and \$1.5 billion were from the provision of residential and business services, respectively. TWC also sells advertising to a variety of national, regional and local customers, resulting in advertising revenues of \$880 million during the year ended December 31, 2011. Additionally, TWC generated \$233 million of revenues from other sources during the year ended December 31, 2011.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

As of December 31, 2011, TWC had approximately 11.9 million residential video subscribers, 10.0 million residential high-speed data subscribers and 4.5 million residential voice subscribers, as well as 172,000 business video subscribers, 390,000 business high-speed data subscribers and 163,000 business voice subscribers. TWC markets its services separately and in bundled packages of multiple services and features. As of December 31, 2011, 60.4% of TWC's customers subscribed to two or more of its primary services, including 26.5% of its customers who subscribed to all three primary services.

TWC believes it will continue to increase revenues for the foreseeable future through organic growth in business services revenues and residential services revenues (primarily residential high-speed data service revenues), as well as through recently completed or announced acquisitions. Organic business services revenues are expected to increase due to growth in business services subscribers, an increasing percentage of business services subscribers purchasing higher-priced tiers of service, price increases, an increase in wholesale transport revenues and the offering of incremental services to business services customers, including the services offered by NaviSite. Organic residential high-speed data revenues are expected to increase due to growth in subscribers, an increasing percentage of subscribers purchasing higher-priced tiers of service and price increases. Future growth rates for revenues will depend on the Company's ability to retain and attract subscribers and increase pricing, which can be impacted by competition, the state of the economy and regulation.

TWC's operations have been affected by the challenging economic environment. The Company believes that trends in new home formation, housing vacancy rates, unemployment rates and consumer spending levels have negatively affected its residential services subscriber, revenue and profit growth.

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

TWC also competes across each of its business high-speed data, networking and voice services with incumbent local exchange carriers, or ILECs, and competitive local exchange carriers, or CLECs. TWC's cell tower backhaul service also faces competition from ILECs and CLECs, as well as other carriers, such as metro and regional fiber providers. TWC's business video service faces competition from direct broadcast satellite providers. Through its NaviSite subsidiary, TWC competes with cloud, hosting and related service providers and application-services providers. Technological advances and product innovations have increased and will likely continue to increase the number of alternatives available to TWC's current and potential residential and business services customers, further intensifying competition. The Company believes the more competitive environment has negatively affected its residential and business services subscriber, revenue and profit growth.

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

For the year ended December 31, 2011, video programming and employee costs represented 34.9% and 32.9%, respectively, of the Company's total operating expenses. Video programming costs are expected to continue to increase, reflecting rate increases on existing programming services, growth in video subscribers taking tiers of service with more channels and the expansion of service offerings (e.g., new network channels), partially offset by a decline in total video subscribers. TWC expects that its video programming costs as a percentage of video revenues will continue to increase. Additionally, the more competitive environment discussed above may increase TWC's cost to obtain certain video programming. Employee costs, which increased 34.3% for business services employees and 3.5% for residential and other employees in 2011, are also expected to continue to increase as a result of many factors, including higher compensation expenses and headcount, reflecting the

Company's investment in business services and other areas of growth, as well as the impact of recent acquisitions.

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

Consistent with the Company's overall balance sheet management strategy, during 2011, TWC paid quarterly cash dividends to TWC stockholders totaling \$642 million, or \$1.92 per share of TWC common stock. On January 25, 2012, the Company's Board of Directors declared an increased quarterly cash dividend of \$0.56 per share of TWC common stock, payable in cash on March 15, 2012 to stockholders of record at the close of business on February 29, 2012. In addition to paying quarterly cash dividends, during 2011, TWC repurchased common stock under its \$4.0 billion common stock repurchase program (the "Stock Repurchase Program"). On January 25, 2012, the Company's Board of Directors increased the remaining authorization under the Stock Repurchase Program (\$758 million as of January 25, 2012) to an aggregate of up to \$4.0 billion of TWC common stock effective January 26, 2012. Purchases under the Stock Repurchase Program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of the Company's purchases under the Stock Repurchase Program are based on a number of factors, including TWC's common stock price, as well as business and market conditions. From the inception of the Stock Repurchase Program through February 15, 2012, the Company repurchased 47.8 million shares of TWC common stock for \$3.325 billion and, as of February 15, 2012, the Company had \$3.917 billion remaining under the Stock Repurchase Program.

Recent Developments***Wireless-related Agreements***

On December 2, 2011, SpectrumCo, LLC ("SpectrumCo"), a joint venture between TWC, Comcast Corporation ("Comcast") and Bright House Networks, LLC ("Bright House") that holds advanced wireless spectrum ("AWS") licenses that cover 20MHz over 80% of the continental U.S. and Hawaii, entered into an agreement pursuant to which SpectrumCo will sell its AWS licenses to Cellco Partnership (doing business as Verizon Wireless), a joint venture between Verizon Communications Inc. and Vodafone Group Plc, for \$3.6 billion in cash. Upon closing, TWC, which owns 31.2% of SpectrumCo, will be entitled to receive approximately \$1.1 billion. This transaction, which is subject to certain regulatory approvals and customary closing conditions, is expected to close during 2012. On February 9, 2012, Comcast and Verizon Wireless received a Request for Additional Information and Documentary Materials from the U.S. Department of Justice in connection with their required notification filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Separately, on December 2, 2011, TWC, Comcast, Bright House and Verizon Wireless also entered into agency agreements that will allow the cable companies to sell Verizon Wireless-branded wireless service, and Verizon Wireless to sell each cable company's services. After a four-year period, subject to certain conditions, the cable companies will have the option to offer wireless service under their own brands utilizing Verizon Wireless' network. In addition, the parties entered into an agreement that provides for the creation of an innovation technology joint venture to better integrate wireless and cable services. On January 13, 2012, TWC received a civil investigative demand from the U.S. Department of Justice requesting additional information about these agreements.

In early 2012, TWC ceased making its existing wireless service available to new wireless customers. As a result, during the fourth quarter of 2011, the Company impaired \$60 million (\$36 million on an after-tax basis) of assets related to the provision of wireless service that will no longer be utilized. Of the \$60 million noncash impairment, \$44 million related to fixed assets and wireless devices and \$16 million related to the remaining value of wireless wholesale agreements with Sprint Nextel Corporation ("Sprint") and Clearwire Corporation ("Clearwire") that were recorded upon TWC's initial investment in Clearwire Communications LLC ("Clearwire Communications") in 2008.

Upon the closing of the SpectrumCo transaction, the Company expects to record a pretax gain of approximately \$430 million (approximately \$260 million on an after-tax basis), which will be included in other income (expense), net, in the Company's consolidated statement of operations. Additionally, in the quarter in which the SpectrumCo transaction closes, the Company expects to record a noncash income tax benefit of approximately \$45 million related to an adjustment to the Company's valuation allowance for deferred income tax assets associated with its investment in Clearwire Communications.

Acquisitions

On April 21, 2011, TWC completed its acquisition of NaviSite for \$263 million, net of cash acquired. At closing, TWC also repaid \$44 million of NaviSite's debt. NaviSite's financial results have been included in the Company's consolidated financial statements from the acquisition date.

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See Note 6 to the accompanying consolidated financial statements for additional information on the NaviSite acquisition.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

On August 15, 2011, TWC entered into an agreement (the *Merger Agreement*) with Insight Communications Company, Inc. (*Insight*) and a representative of its stockholders to acquire Insight and its subsidiaries, which operate cable systems in Kentucky, Indiana and Ohio that then served subscribers representing approximately 1.5 million primary service units. Insight reported revenues of approximately \$1.1 billion for the year ended December 31, 2010. Pursuant to the *Merger Agreement*, a subsidiary of TWC will merge with and into Insight, with Insight surviving as a direct wholly owned subsidiary of the Company. TWC agreed to pay \$3.0 billion in cash for Insight, as reduced by Insight's indebtedness for borrowed money and similar obligations (including amounts outstanding under Insight's credit agreement and senior notes due 2018, which totaled approximately \$1.8 billion as of the date of the *Merger Agreement*). The purchase price is subject to customary adjustments, including a reduction to the extent the number of Insight's video subscribers at the closing is less than an agreed upon threshold, as well as a working capital adjustment. The Company has obtained all necessary regulatory approvals and expects the transaction to close by the end of the first quarter of 2012; however, there can be no assurances that the transaction will close or, if it does, that the Company will realize the potential financial and operating benefits of the transaction. See Note 6 to the accompanying consolidated financial statements for additional information on the Insight acquisition.

On November 1, 2011, TWC completed its acquisition of certain NewWave Communications (*NewWave*) cable systems in Kentucky and western Tennessee for \$259 million in cash. The financial results for the *NewWave* cable systems, which served subscribers representing 138,000 primary service units as of the acquisition date, have been included in the Company's consolidated financial statements from the acquisition date. See Note 6 to the accompanying consolidated financial statements for additional information on the *NewWave* cable systems acquisition.

Additionally, during 2011, TWC completed two acquisitions of cable systems in Texas and Ohio serving subscribers representing a total of 26,000 primary service units for \$38 million in cash.

2011 Bond Offerings

On May 26, 2011, TWC issued £625 million (approximately \$1.0 billion) in aggregate principal amount of 5.75% senior unsecured notes due 2031 in a public offering under a shelf registration statement on Form S-3 (the *May 2011 Bond Offering*). As described further in Note 11 to the accompanying consolidated financial statements, the Company has entered into cross-currency swap arrangements to effectively convert its fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt.

On September 12, 2011, TWC issued \$2.250 billion in aggregate principal amount of senior unsecured notes and debentures in a public offering under a shelf registration statement on Form S-3 (the *September 2011 Bond Offering* and, collectively with the *May 2011 Bond Offering*, the *2011 Bond Offerings*). The *September 2011 Bond Offering* consisted of \$1.0 billion principal amount of 4.0% notes due 2021 and \$1.250 billion principal amount of 5.5% debentures due 2041.

TWC's obligations under the debt securities issued in the *2011 Bond Offerings* are guaranteed by its subsidiaries, Time Warner Entertainment Company, L.P. (*TWE*) and TW NY Cable Holding Inc. See Note 9 to the accompanying consolidated financial statements for further details regarding the debt securities issued in the *2011 Bond Offerings*.

FINANCIAL STATEMENT PRESENTATION

Revenues

During the second quarter of 2011, the Company revised its presentation of revenues to provide additional detail about the Company's sources of revenues, which had no impact on total revenues for any period presented. The Company's revenues consist of residential services, business services, advertising and other revenues.

Residential services. Residential services revenues consist of revenues from the following residential services:

Video. Video revenues include residential subscriber fees for the Company's various tiers or packages of video programming services generally distinguished from one another by the number and type of programming networks they

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

include. Video revenues also include related equipment rental charges, installation charges and fees collected on behalf of local franchising authorities and the Federal Communications Commission (the FCC). Additionally, video revenues include revenues from premium channels, transactional video-on-demand (e.g., events and movies) and digital video recorder (DVR) service.

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

Voice. Voice revenues include subscriber fees from residential voice subscribers, along with related installation charges, as well as fees collected on behalf of governmental authorities.

Other. Other revenues include revenues from home monitoring and security services and other residential subscriber-related fees.

Business services. Business services revenues consist of revenues from the following business services:

Video. Video revenues include the same fee categories received from business video subscribers as described above under residential video revenues.

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

Voice. Voice revenues include subscriber fees from business voice subscribers, along with related installation charges, as well as fees collected on behalf of governmental authorities.

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

Other. Other revenues primarily include revenues from managed and outsourced IT solutions and cloud services provided by NaviSite, revenues from business monitoring and security services and other business subscriber-related fees.

Advertising. Advertising revenues include the fees charged to local, regional and national customers for advertising placed on the Company's video and high-speed data services, as well as revenues from advertising inventory sold on behalf of other video distributors. Currently, most advertising revenues are derived from advertising placed on video services, but the Company expects a growing percentage of advertising revenues will be derived from non-video sources in the future.

Other. Other revenues primarily include (a) fees paid to TWC (totaling \$135 million, \$131 million and \$127 million in 2011, 2010 and 2009, respectively) by (i) the Advance/Newhouse Partnership and Insight for the ability to distribute TWC's Road Runner® high-speed data service and (ii) the Advance/Newhouse Partnership for TWC's management of certain functions, including, among others, programming and engineering and (b) commissions earned on the sale of merchandise by home shopping networks.

Costs and Expenses

Costs of revenues include the following costs directly associated with the delivery of services to subscribers or the maintenance of the Company's delivery systems: video programming costs; high-speed data connectivity costs (including mobile high-speed data service costs); voice network costs; other service-related expenses, including non-administrative labor; franchise fees; and other related costs.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Selling, general and administrative expenses include amounts not directly associated with the delivery of services to subscribers or the maintenance of the Company's delivery systems, such as administrative labor costs, marketing expenses, bad debt expense, billing system charges, non-plant repair and maintenance costs and other administrative overhead costs.

Costs of revenues and selling, general and administrative expenses exclude depreciation expense, which is presented separately in the accompanying consolidated statement of operations.

Use of Operating Income before Depreciation and Amortization

In discussing its performance, the Company may use certain measures that are not calculated and presented in accordance with U.S. generally accepted accounting principles (GAAP). These measures include Operating Income before Depreciation and Amortization (OIBDA), which the Company defines as Operating Income before depreciation of tangible assets and amortization of intangible assets.

Management uses OIBDA, among other measures, in evaluating the performance of the Company's business because it eliminates the effects of (1) considerable amounts of noncash depreciation and amortization and (2) items not within the control of the Company's operations managers (such as net income attributable to noncontrolling interests, income tax provision, other income (expense), net, and interest expense, net). Performance measures derived from OIBDA are also used in the Company's annual incentive compensation programs. In addition, this measure is commonly used by analysts, investors and others in evaluating the Company's performance.

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

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

Basis of Presentation

Reclassifications

Certain reclassifications have been made to the prior years' financial information to conform to the current year presentation, the most significant of which was, as previously noted, the revised presentation of the Company's revenues during the second quarter of 2011. This reclassification had no impact on the Company's total revenues for the years ended December 31, 2010 and 2009. Additionally, the Company reclassified certain sales-related customer care costs from costs of revenues to selling, general and administrative expenses. This reclassification had no impact on the Company's Operating Income or net income attributable to TWC shareholders for the years ended December 31, 2010 and 2009.

Recent Accounting Standards

See Note 2 to the accompanying consolidated financial statements for accounting standards adopted in 2011 and recently issued accounting standards not yet adopted.

Table of Contents**TIME WARNER CABLE INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS****OF OPERATIONS AND FINANCIAL CONDITION (Continued)****RESULTS OF OPERATIONS****2011 vs. 2010**

The following discussion provides an analysis of the Company's results of operations and should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Revenues. Revenues by major category were as follows (in millions):

	Year Ended December 31,		% Change
	2011	2010	
Residential services	\$ 17,093	\$ 16,651	2.7%
Business services	1,469	1,107	32.7%
Advertising	880	881	(0.1%)
Other	233	229	1.7%
Total	\$ 19,675	\$ 18,868	4.3%

Selected subscriber-related statistics were as follows (in thousands):

	December 31,		% Change
	2011	2010	
Residential services:			
Video ^{(a)(b)}	11,889	12,257	(3.0%)
High-speed data ^{(b)(c)(d)}	9,954	9,469	5.1%
Voice ^{(b)(d)(e)}	4,544	4,385	3.6%
Primary service units^{(b)(f)}	26,387	26,111	1.1%
Business services:			
Video ^{(a)(b)}	172	165	4.2%
High-speed data ^{(b)(c)(d)}	390	334	16.8%
Voice ^{(b)(d)(e)}	163	111	46.8%
Primary service units^{(b)(f)}	725	610	18.9%
Total primary service units^{(b)(f)}	27,112	26,721	1.5%
Customer relationships^{(b)(g)}	14,511	14,496	0.1%
Double play ^{(b)(h)}	4,925	4,866	1.2%
Triple play ^{(b)(i)}	3,838	3,680	4.3%

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- (a) Video subscriber numbers reflect billable subscribers who purchase at least the basic service video programming tier. The determination of whether a video subscriber is categorized as residential or business is based on the type of subscriber purchasing the service.
- (b) During 2011, the Company acquired cable systems from NewWave, as well as two other small cable systems, resulting, in total, in an increase of 85,000 residential video subscribers, 48,000 residential high-speed data subscribers, 26,000 residential voice subscribers, 159,000 residential primary service units, 2,000 business video subscribers, 2,000 business high-speed data subscribers, 1,000 business voice subscribers, 5,000 business primary service units, 164,000 total primary service units, 97,000 customer relationships, 25,000 double play subscribers and 21,000 triple play subscribers. The acquired subscribers are reflected in the Company's subscriber numbers as of December 31, 2011.
- (c) High-speed data subscriber numbers reflect billable subscribers who purchase any of the high-speed data services offered by TWC.
- (d) The determination of whether a high-speed data or voice subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber. For example, if TWC provides a business service, the subscriber is classified as business.
- (e) Voice subscriber numbers reflect billable subscribers who purchase an IP-based telephony service.
- (f) Primary service unit numbers represent the sum of video, high-speed data and voice subscribers.
- (g) Customer relationships represent the number of subscribers who purchase at least one of the Company's primary services. For example, a subscriber who purchases only high-speed data service and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship.
- (h) Double play subscriber numbers reflect customers who subscribe to two of the Company's primary services.
- (i) Triple play subscriber numbers reflect customers who subscribe to all three of the Company's primary services.

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

Residential services revenues. The major components of residential services revenues were as follows (in millions):

	Year Ended December 31,		
	2011	2010	% Change
Residential services:			
Video	\$ 10,589	\$ 10,577	0.1%
High-speed data	4,476	4,121	8.6%
Voice	1,979	1,905	3.9%
Other	49	48	2.1%
Total residential services	\$ 17,093	\$ 16,651	2.7%

Average monthly revenues per unit were as follows:

	Year Ended December 31,		
	2011	2010	% Change
Residential services:			
Video ^(a)	\$ 73.18	\$ 70.46	3.9%
High-speed data ^(b)	38.32	37.00	3.6%
Voice ^(c)	36.89	37.08	(0.5%)
Primary service units ^(d)	54.30	53.24	2.0%

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

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

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

(d) Average monthly residential revenues per residential primary service unit represents residential services revenues divided by the corresponding average residential primary service units for the period.

The modest increase in residential video revenues was due to increases in average revenues per subscriber, partially offset by a decrease in video subscribers. The increase in average revenues per subscriber was primarily due to price increases, a greater percentage of subscribers purchasing higher-priced tiers of service and increased revenues from equipment rentals and DVR service, partially offset by decreases in premium channel and transactional video-on-demand revenues. The major components of residential video revenues were as follows (in millions):

	Year Ended December 31,		
	2011	2010	% Change
Programming tiers ^(a)	\$ 6,944	\$ 7,006	(0.9%)
Premium channels	808	848	(4.7%)
Transactional video-on-demand	339	365	(7.1%)

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Video equipment rental and installation charges	1,372	1,297	5.8%
DVR service	638	581	9.8%
Franchise and other fees ^(b)	488	480	1.7%
Total	\$ 10,589	\$ 10,577	0.1%

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

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

Residential high-speed data revenues increased due to growth in high-speed data subscribers and increases in average revenues per subscriber (due to both price increases and a greater percentage of subscribers purchasing higher-priced tiers of service).

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

The increase in residential voice revenues was due to growth in voice subscribers, partially offset by a slight decrease in average revenues per subscriber.

Business services revenues. The major components of business services revenues were as follows (in millions):

	Year Ended December 31,		% Change
	2011	2010	
Business services:			
Video	\$ 286	\$ 266	7.5%
High-speed data	727	614	18.4%
Voice	197	127	55.1%
Wholesale transport	154	91	69.2%
Other ^(a)	105	9	NM
Total business services	\$ 1,469	\$ 1,107	32.7%

NM Not meaningful.

^(a) 2011 amounts primarily consist of revenues from NaviSite.

Business services revenues increased primarily due to growth in high-speed data and voice subscribers, a \$56 million increase in cell tower backhaul revenues and the acquisition of NaviSite in the second quarter of 2011. NaviSite's revenues from the date of acquisition (April 21, 2011) through December 31, 2011 were \$94 million.

Advertising revenues. Advertising revenues were flat as \$47 million of growth in lower margin revenues from advertising inventory sold on behalf of other video distributors (advertising rep agreements) and an \$11 million increase in revenues primarily from regional and local businesses offset a \$59 million decline in political advertising revenues. The Company expects advertising revenues in 2012 to benefit from growth in political advertising revenues (primarily in the second half of 2012), as well as growth in revenues from advertising rep agreements.

Costs of revenues. The major components of costs of revenues were as follows (in millions, except per subscriber data):

	Year Ended December 31,		% Change
	2011	2010	
Video programming	\$ 4,342	\$ 4,213	3.1%
Employee ^(a)	2,621	2,532	3.5%
High-speed data	170	152	11.8%
Voice	595	669	(11.1%)
Video franchise and other fees ^(b)	500	493	1.4%
Other direct operating costs ^(a)	910	814	11.8%
Total	\$ 9,138	\$ 8,873	3.0%

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Costs of revenues as a percentage of revenues	46.4%	47.0%	
Average monthly video programming costs per video subscriber	\$ 29.59	\$ 27.70	6.8%
Average monthly voice costs per voice subscriber	\$ 10.76	\$ 12.75	(15.6%)

(a) Employee and other direct operating costs include costs directly associated with the delivery of the Company's video, high-speed data, voice and other services to subscribers and the maintenance of the Company's delivery systems.

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

Costs of revenues increased 3.0% primarily related to increases in video programming, employee and other direct operating costs, partially offset by a decrease in voice costs.

The increase in video programming costs was primarily due to contractual rate increases and increased costs associated with retransmission of certain local broadcast stations, partially offset by a decline in video subscribers. From time to time,

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

video programming costs are impacted by changes in cost estimates for programming services carried without a contract, reversals of previously accrued programming audit reserves and certain contract settlements. Such items reduced video programming costs in both 2011 and 2010 by approximately \$25 million. The Company expects the rate of growth in video programming costs per video subscriber in 2012 to increase compared to that in 2011.

Employee costs increased primarily as a result of higher headcount (which increased by approximately 650 employees, including NaviSite employees) and higher compensation costs per employee.

Voice costs consist of the direct costs associated with the delivery of voice services, including network connectivity costs. Voice costs declined primarily due to a decrease in delivery costs per subscriber as a result of the ongoing replacement of Sprint as the provider of voice transport, switching and interconnection services, partially offset by growth in voice subscribers. This replacement process began in the fourth quarter of 2010 and, as of December 31, 2011, TWC had replaced Sprint with respect to nearly half of TWC's voice lines. The Company expects to replace the majority of the remaining voice lines in 2013, with the process completed during the first quarter of 2014. The Company expects average voice costs per voice subscriber to decrease in 2012 compared to 2011.

Other direct operating costs increased as a result of increases in a number of categories, including costs associated with advertising rep agreements, fuel expense and NaviSite-related costs. Additionally, in the fourth quarter of 2010, the Company began classifying certain costs as other direct operating costs that were previously recorded as depreciation expense. As a result, \$15 million of costs related to the nine months ended September 30, 2010 were reclassified in the fourth quarter of 2010. Management does not believe this reclassification is material to the current year or prior year fourth quarter results.

Selling, general and administrative expenses. The components of selling, general and administrative expenses were as follows (in millions):

	Year Ended December 31,		% Change
	2011	2010	
Employee	\$ 1,472	\$ 1,330	10.7%
Marketing	635	629	1.0%
Bad debt ^(a)	118	114	3.5%
Separation-related make-up equity award costs		5	(100.0%)
Other	1,086	1,047	3.7%
Total	\$ 3,311	\$ 3,125	6.0%

^(a) Bad debt expense includes amounts charged to expense associated with the Company's allowance for doubtful accounts and collection expenses, net of late fees billed to subscribers. Late fees billed to subscribers were \$140 million in both 2011 and 2010.

^(b) As a result of the Company's separation (the Separation) from Time Warner Inc. (Time Warner) on March 12, 2009, pursuant to their terms, Time Warner equity awards held by TWC employees were forfeited and/or experienced a reduction in value as of the date of the Separation. Amounts represent the costs associated with TWC stock options and restricted stock units (RSUs) granted to TWC employees during the second quarter of 2009 to offset these forfeitures and/or reduced values (Separation-related make-up equity award costs).

Selling, general and administrative expenses increased primarily as a result of increases in employee costs and higher consulting and professional fees. The increase in employee costs was primarily due to higher headcount (which increased by approximately 830 employees, including NaviSite employees) and higher compensation costs per employee. Employee costs in 2010 included \$12 million of executive severance costs that were recorded in the fourth quarter.

Asset impairments. As discussed above in Overview Recent Developments Wireless-related Agreements, in early 2012, TWC ceased making its existing wireless service available to new wireless customers. As a result, during the fourth quarter of 2011, the Company impaired \$60 million of assets related to the provision of wireless service that will no longer be utilized. Of the \$60 million noncash impairment, \$44 million related to fixed assets and wireless devices and \$16 million related to the remaining value of wireless wholesale agreements with Sprint and Clearwire that were recorded upon TWC's initial investment in Clearwire Communications in 2008.

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

Merger-related and restructuring costs. During 2011, the Company incurred merger-related costs of \$10 million in connection with the NaviSite and NewWave cable system acquisitions and the pending Insight acquisition. No such costs were incurred during 2010. The Company expects to incur additional merger-related costs during 2012 related to the Insight acquisition.

The Company incurred restructuring costs of \$60 million and \$52 million during 2011 and 2010, respectively. These restructuring costs were primarily related to employee terminations of approximately 775 and 900 in 2011 and 2010, respectively, and other exit costs, including the termination of a facility lease during the second quarter of 2010. The Company expects to incur restructuring costs during 2012 in connection with various initiatives intended to improve operating efficiency, primarily related to employee terminations.

Reconciliation of OIBDA to Operating Income. The following table reconciles OIBDA to Operating Income. In addition, the table provides the components from Operating Income to net income attributable to TWC shareholders for purposes of the discussions that follow (in millions):

	Year Ended December 31,		% Change
	2011	2010	
OIBDA	\$ 7,096	\$ 6,818	4.1%
Depreciation	(2,994)	(2,961)	1.1%
Amortization	(33)	(168)	(80.4%)
Operating Income	4,069	3,689	10.3%
Interest expense, net	(1,518)	(1,394)	8.9%
Other expense, net	(89)	(99)	(10.1%)
Income before income taxes	2,462	2,196	12.1%
Income tax provision	(795)	(883)	(10.0%)
Net income	1,667	1,313	27.0%
Less: Net income attributable to noncontrolling interests	(2)	(5)	(60.0%)
Net income attributable to TWC shareholders	\$ 1,665	\$ 1,308	27.3%

OIBDA. OIBDA increased principally as a result of revenue growth, partially offset by higher costs of revenues and selling, general and administrative expenses and the wireless-related asset impairments recorded in the fourth quarter of 2011, as discussed above. Included within OIBDA for 2011 are NaviSite and NewWave cable system revenues of \$94 million and \$13 million, respectively, and operating expenses of \$72 million and \$8 million, respectively.

The results for 2011 included net expenses from new initiatives of approximately \$70 million related to the Company's mobile high-speed data service and other new services, such as advanced home monitoring and security services. The results for 2010 included net expenses of approximately \$50 million related to mobile high-speed data service. The Company expects to incur net expenses of approximately \$100 million to \$150 million in 2012 related to new initiatives, including advanced home monitoring and security services, the deployment of WiFi access points and the expected fall 2012 launch of regional sports networks (RSNs). The RSNs will carry Los Angeles Lakers basketball games and other regional sports programming. Due to the timing of the RSN launches, a significant portion of the 2012 net expenses from new initiatives is expected to be incurred in the fourth quarter of 2012.

Depreciation. As discussed above, depreciation expense for the fourth quarter of 2010 benefited from a reclassification of approximately \$15 million.

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Amortization. The decrease in amortization expense was primarily due to (a) approximately \$880 million of customer relationships acquired in the July 31, 2006 transactions with Adelphia Communications Corporation and Comcast (the Adelphia/Comcast Transactions) that were fully amortized as of July 31, 2010 and (b) approximately \$70 million of customer relationships that the Company acquired as a result of the 2007 dissolution of Texas and Kansas City Cable Partners, L.P. (TKCCP) that were fully amortized as of December 31, 2010.

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

Operating Income. Operating Income increased primarily due to the increase in OIBDA and the decrease in amortization expense, as discussed above.

Interest expense, net. Interest expense, net, increased primarily due to higher average debt outstanding during 2011 as compared to 2010 as a result of the public debt issuances in November 2010 and the 2011 Bond Offerings, partially offset by a \$46 million increase in benefits received from interest rate swaps.

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

	Year Ended December 31,	
	2011	2010
Loss from equity investments, net ^(a)	\$ (88)	\$ (110)
Gain (loss) on equity award reimbursement obligation to Time Warner ^(b)	(5)	5
Other	4	6
Other expense, net	\$ (89)	\$ (99)

^(a) Loss from equity investments, net, primarily consists of losses incurred by Clearwire Communications. During the third quarter of 2011, the balance of the Company's investment in Clearwire Communications included in the accompanying consolidated balance sheet was reduced to \$0.

^(b) See Note 11 to the accompanying consolidated financial statements for a discussion of the Company's accounting for its equity award reimbursement obligation to Time Warner.

Income tax provision. In 2011 and 2010, the Company recorded income tax provisions of \$795 million and \$883 million, respectively. The effective tax rates were 32.3% and 40.2% for 2011 and 2010, respectively.

During the fourth quarter of 2011, TWC completed its income tax returns for the 2010 taxable year, its first full-year income tax returns subsequent to the Separation from Time Warner, reflecting the income tax positions and state income tax apportionments of TWC as a standalone taxpayer. Based on these returns, the Company concluded that an approximate 65 basis point change in the estimate of the effective tax rate applied to calculate its net deferred income tax liability was required. As a result, TWC recorded a noncash income tax benefit of \$178 million during the fourth quarter of 2011. The income tax provision and the effective tax rate for 2011 also included a benefit of \$14 million (which includes \$9 million that related to 2010) from the domestic production activities deduction under Section 199 of the Internal Revenue Code of 1986, as amended.

The income tax provision and the effective tax rate for 2010 benefited from an adjustment of \$29 million to the Company's valuation allowance for deferred income tax assets associated with its investment in Clearwire Communications. The income tax provision and the effective tax rate for 2010 were also impacted by legislation enacted in California in October 2010 that reversed the changes in methodology of California income tax apportionment included in the 2009 California state budget, which resulted in a decrease in the Company's state deferred income tax liabilities and a corresponding noncash tax benefit of \$40 million, which was recorded in the fourth quarter of 2010.

Additionally, the income tax provisions and the effective tax rates for 2011 and 2010 were impacted by the reversal of deferred income tax assets associated with Time Warner stock option awards held by TWC employees, net of excess tax benefits realized upon the exercise of TWC stock options or vesting of TWC RSUs, as follows (in millions):

	Year Ended December 31,	
	2011	2010
Time Warner stock option activity	\$ (58)	\$ (80)
TWC equity award activity	44	12
Net income tax expense	\$ (14)	\$ (68)

As a result of the Separation, on March 12, 2009, TWC employees who held stock option awards under Time Warner equity plans were treated as if their employment with Time Warner had been terminated without cause. In most cases, this

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

treatment resulted in shortened exercise periods for vested awards, generally one year from the date of the Separation; however, certain awards expire over a five-year period from the date of the Separation. Deferred income tax assets were established based on the Time Warner awards fair values, and a corresponding benefit to the Company's income tax provision was recognized over the awards' service periods. For unexercised awards that expired out of the money, the fair value was \$0 and the Company received no tax deduction in connection with these awards. As a result, the previously-recognized deferred income tax assets were written off through noncash charges to income tax expense during the periods in which the awards expired. As noted above, the charges were reduced by excess tax benefits realized upon the exercise of TWC stock options or vesting of TWC RSUs in the same year in which the charge was taken.

Absent the impacts of the above items, the effective tax rates would have been 39.5% and 40.3% for 2011 and 2010, respectively.

Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders. Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders were as follows for 2011 and 2010 (in millions, except per share data):

	Year Ended December 31,		
	2011	2010	% Change
Net income attributable to TWC shareholders	\$ 1,665	\$ 1,308	27.3%
Net income per common share attributable to TWC common shareholders:			
Basic	\$ 5.02	\$ 3.67	36.8%
Diluted	\$ 4.97	\$ 3.64	36.5%

Net income attributable to TWC shareholders increased primarily due to an increase in Operating Income and a decrease in income tax provision, which was partially offset by an increase in interest expense, net. Net income per common share attributable to TWC common shareholders for 2011 benefited from lower average common shares outstanding as a result of share repurchases under the Stock Repurchase Program.

2010 vs. 2009

The following discussion provides an analysis of the Company's results of operations and should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Revenues. Revenues by major category were as follows (in millions):

	Year Ended December 31,		
	2010	2009	% Change
Residential services	\$ 16,651	\$ 16,028	3.9%
Business services	1,107	916	20.9%
Advertising	881	702	25.5%
Other	229	222	3.2%

Total	\$	18,868	\$	17,868	5.6%
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Table of Contents**TIME WARNER CABLE INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS****OF OPERATIONS AND FINANCIAL CONDITION (Continued)**

Selected subscriber-related statistics were as follows (in thousands):

	December 31,		
	2010	2009	% Change
Residential services:			
Video ^(a)	12,257	12,699	(3.5%)
High-speed data ^{(b)(c)}	9,469	8,994	5.3%
Voice ^{(c)(d)}	4,385	4,153	5.6%
Primary service units^(e)	26,111	25,846	1.0%
Business services:			
Video ^(a)	165	160	3.1%
High-speed data ^{(b)(c)}	334	295	13.2%
Voice ^{(c)(d)}	111	67	65.7%
Primary service units^(e)	610	522	16.9%
Total primary service units^(e)	26,721	26,368	1.3%
Customer relationships^(f)	14,496	14,572	(0.5%)
Double play ^(g)	4,866	4,900	(0.7%)
Triple play ^(h)	3,680	3,448	6.7%

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

(b) High-speed data subscriber numbers reflect billable subscribers who purchase any of the high-speed data services offered by TWC.

(c) The determination of whether a high-speed data or voice subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber. For example, if TWC provides a business service, the subscriber is classified as business.

(d) Voice subscriber numbers reflect billable subscribers who purchase an IP-based telephony service.

(e) Primary service unit numbers represent the sum of video, high-speed data and voice subscribers.

(f) Customer relationships represent the number of subscribers who purchase at least one of the Company's primary services. For example, a subscriber who purchases only high-speed data service and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship.

(g) Double play subscriber numbers reflect customers who subscribe to two of the Company's primary services.

(h) Triple play subscriber numbers reflect customers who subscribe to all three of the Company's primary services.

Residential services revenues. The major components of residential services revenues were as follows (in millions):

	Year Ended December 31,		
	2010	2009	% Change
Residential services:			
Video	\$ 10,577	\$ 10,361	2.1%
High-speed data	4,121	3,805	8.3%

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Voice	1,905	1,816	4.9%
Other	48	46	4.3%
Total residential services	\$ 16,651	\$ 16,028	3.9%

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

Average monthly revenues per unit were as follows:

	Year Ended December 31,		% Change
	2010	2009	
Residential services:			
Video ^(a)	\$ 70.46	NA	NA
High-speed data ^(b)	37.00	\$ 36.24	2.1%
Voice ^(c)	37.08	37.98	(2.4%)
Primary service units ^(d)	53.24	52.21	2.0%

NA Not available.

- (a) Average monthly residential video revenues per unit represents residential video revenues divided by the corresponding average residential video subscribers for the period.
- (b) Average monthly residential high-speed data revenues per unit represents residential high-speed data revenues divided by the corresponding average residential high-speed data subscribers for the period.
- (c) Average monthly residential voice revenues per unit represents residential voice revenues divided by the corresponding average residential voice subscribers for the period.
- (d) Average monthly residential revenues per residential primary service unit represents residential services revenues divided by the corresponding average residential primary service units for the period.

The increase in residential video revenues was primarily due to increases in average revenues per subscriber (due to price increases, improved subscriber mix and increased DVR service revenues), partially offset by a decrease in video subscribers. The major components of residential video revenues were as follows (in millions):

	Year Ended December 31,		% Change
	2010	2009	
Programming tiers ^(a)	\$ 7,006	\$ 6,977	0.4%
Premium channels	848	858	(1.2%)
Transactional video-on-demand	365	364	0.3%
Video equipment rental and installation charges	1,297	1,185	9.5%
DVR service	581	510	13.9%
Franchise and other fees ^(b)	480	467	2.8%
Total	\$ 10,577	\$ 10,361	2.1%

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

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

Residential high-speed data revenues increased primarily due to growth in high-speed data subscribers and, to a lesser extent, increases in average revenues per subscriber (due to both price increases and improved subscriber mix).

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The increase in residential voice revenues was due to growth in voice subscribers, partially offset by a decrease in average revenues per subscriber.

Business services revenues. The major components of business services revenues were as follows (in millions):

	Year Ended December 31,		% Change
	2010	2009	
Business services:			
Video	\$ 266	\$ 251	6.0%
High-speed data	614	550	11.6%
Voice	127	70	81.4%
Wholesale transport	91	36	152.8%
Other	9	9	
Total business services	\$ 1,107	\$ 916	20.9%

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

Business services revenues increased primarily due to growth in high-speed data and voice subscribers and increased cell tower backhaul and Metro Ethernet revenues.

Advertising revenues. Advertising revenues increased primarily due to higher revenues from regional, local and, to a lesser extent, national businesses. Advertising revenues also increased as a result of growth in political advertising revenues, which totaled \$74 million and \$20 million in 2010 and 2009, respectively.

Costs of revenues. The major components of costs of revenues were as follows (in millions, except per subscriber data):

	Year Ended December 31,		% Change
	2010	2009	
Video programming	\$ 4,213	\$ 3,998	5.4%
Employee ^(a)	2,532	2,497	1.4%
High-speed data	152	132	15.2%
Voice	669	633	5.7%
Video franchise and other fees ^(b)	493	476	3.6%
Other direct operating costs ^(a)	814	719	13.2%
Total	\$ 8,873	\$ 8,455	4.9%
Costs of revenues as a percentage of revenues	47.0%	47.3%	
Average monthly video programming costs per video subscriber	\$ 27.70	\$ 25.60	8.2%

^(a) Employee and other direct operating costs include costs directly associated with the delivery of the Company's video, high-speed data, voice and other services to subscribers and the maintenance of the Company's delivery systems.

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

Costs of revenues increased 4.9%, primarily related to increases in video programming, voice and other direct operating costs.

The increase in video programming costs was primarily due to contractual rate increases and incremental costs associated with retransmission of certain local broadcast stations, partially offset by a decline in video subscribers. From time to time, video programming costs are impacted by changes in cost estimates for programming services carried without a contract, reversals of previously accrued programming audit reserves and certain contract settlements. Such items reduced video programming costs in 2010 and 2009 by approximately \$25 million and \$5 million, respectively.

Employee costs increased primarily as a result of higher costs associated with business services-related employees, partially offset by a decline in residential services-related employee costs, primarily resulting from decreased activity, and a decrease in pension expense.

Voice costs consist of the direct costs associated with the delivery of voice services, including network connectivity costs. Voice costs for 2010 increased primarily due to growth in voice subscribers.

Other direct operating costs increased as a result of increases in a number of categories, including costs associated with advertising rep agreements, mobile high-speed data service costs, computer software and maintenance costs and fuel expense.

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Also, during the fourth quarter of 2010, the Company reclassified as other direct operating costs approximately \$20 million that was previously recorded as depreciation expense. Approximately \$15 million of this amount relates to prior quarters in 2010. The Company has not made the comparable reclassification to the 2009 amounts and management does not believe this reclassification is material to the 2010 or 2009 results.

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

Selling, general and administrative expenses. The components of selling, general and administrative expenses were as follows (in millions):

	Year Ended December 31,		% Change
	2010	2009	
Employee	\$ 1,330	\$ 1,250	6.4%
Marketing	629	563	11.7%
Bad debt ^(a)	114	143	(20.3%)
Separation-related make-up equity award costs	5	9	(44.4%)
Other	1,047	965	8.5%
Total	\$ 3,125	\$ 2,930	6.7%

^(a) Bad debt expense includes amounts charged to expense associated with the Company's allowance for doubtful accounts and collection expenses, net of late fees billed to subscribers. Late fees billed to subscribers were \$140 million and \$118 million in 2010 and 2009, respectively.

^(b) As a result of the Separation from Time Warner on March 12, 2009, pursuant to their terms, Time Warner equity awards held by TWC employees were forfeited and/or experienced a reduction in value as of the date of the Separation. Amounts represent the costs associated with TWC stock options and RSUs granted to TWC employees during the second quarter of 2009 to offset these forfeitures and/or reduced values.

Selling, general and administrative expenses increased primarily as a result of increases in employee costs (primarily due to higher headcount and compensation, as well as \$12 million of executive severance costs in the fourth quarter of 2010), marketing expense and consulting and professional fees, partially offset by a decrease in bad debt expense primarily due to improvements in collection efforts during 2010. Bad debt expense for the fourth quarter of 2010 increased compared to 2009 as the fourth quarter of 2009 included a benefit from the reduction in the allowance for doubtful accounts to reflect the quality of residential receivables as of the end of 2009, which benefited both the fourth quarter and full year 2009. Additionally, casualty insurance expense in 2009 included a benefit of approximately \$11 million due to changes in estimates of previously established casualty insurance accruals.

Restructuring costs. The results for 2010 and 2009 include restructuring costs of \$52 million and \$81 million, respectively, primarily related to headcount reductions of approximately 900 and 1,300 in 2010 and 2009, respectively, and other exit costs, including the termination of a facility lease during the second quarter of 2010.

Reconciliation of OIBDA to Operating Income. The following table reconciles OIBDA to Operating Income. In addition, the table provides the components from Operating Income to net income attributable to TWC shareholders for purposes of the discussions that follow (in millions):

	Year Ended December 31,		% Change
	2010	2009	
OIBDA	\$ 6,818	\$ 6,402	6.5%
Depreciation	(2,961)	(2,836)	4.4%
Amortization	(168)	(249)	(32.5%)
Operating Income	3,689	3,317	11.2%
Interest expense, net	(1,394)	(1,319)	5.7%
Other expense, net	(99)	(86)	15.1%

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Income before income taxes	2,196	1,912	14.9%
Income tax provision	(883)	(820)	7.7%
Net income	1,313	1,092	20.2%
Less: Net income attributable to noncontrolling interests	(5)	(22)	(77.3%)
Net income attributable to TWC shareholders	\$ 1,308	\$ 1,070	22.2%

OIBDA. OIBDA increased principally as a result of revenue growth, partially offset by higher costs of revenues and selling, general and administrative expenses, as discussed above. The results for 2010 included net expenses of approximately \$50 million related to mobile high-speed data service.

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

Depreciation. The increase in depreciation expense was primarily associated with continued investments in customer premise equipment, scalable infrastructure and line extensions occurring during or subsequent to 2009. As discussed above, depreciation expense in 2010 benefited from a fourth-quarter 2010 reclassification of approximately \$20 million.

Amortization. The decrease in amortization expense was primarily due to approximately \$880 million of customer relationships acquired in the Adelphia/Comcast Transactions that were fully amortized as of July 31, 2010. Amortization expense in 2009 included a benefit of approximately \$13 million recorded to reduce excess amortization recorded in prior years.

Operating Income. Operating Income increased primarily due to the increase in OIBDA and the decrease in amortization expense, partially offset by the increase in depreciation expense, as discussed above.

Interest expense, net. Interest expense, net, increased primarily due to higher average debt outstanding during 2010 as compared to 2009. Interest expense, net, for 2009 included \$13 million of debt issuance costs primarily related to upfront loan fees on a 364-day senior unsecured term loan facility entered into in 2008 in connection with the Separation, which were recognized as expense when the facility was repaid and terminated following the Company's public debt issuance in March 2009.

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

	Year Ended December 31,	
	2010	2009
Direct transaction costs related to the Separation ^(a)	\$	\$ (28)
Loss from equity investments, net ^(b)	(110)	(49)
Gain (loss) on equity award reimbursement obligation to Time Warner ^(c)	5	(21)
Other	6	12
Other expense, net	\$ (99)	\$ (86)

^(a) Amount primarily consists of legal and professional fees.

^(b) The increase in loss from equity investments, net, was primarily due to an increase in losses incurred by Clearwire Communications.

^(c) See Note 11 to the accompanying consolidated financial statements for a discussion of the Company's accounting for its equity award reimbursement obligation to Time Warner.

Income tax provision. In 2010 and 2009, the Company recorded income tax provisions of \$883 million and \$820 million, respectively. The effective tax rates were 40.2% and 42.9% for 2010 and 2009, respectively.

The income tax provision and the effective tax rate for 2009 were impacted by the passage of the California state budget during the first quarter of 2009 that, in part, changed the methodology of income tax apportionment in California. This tax law change resulted in an increase in state deferred tax liabilities and a corresponding noncash tax provision of \$38 million, which was recorded in the first quarter of 2009. On October 19, 2010, legislation was enacted in California that reversed the changes in methodology of California income tax apportionment included in the 2009 California state budget, which resulted in a decrease in the Company's state deferred tax liabilities and a corresponding noncash tax benefit of \$40 million, which was recorded in the fourth quarter of 2010.

The income tax provision and the effective tax rates for 2010 also benefited from an adjustment of \$29 million to the Company's valuation allowance for deferred tax assets associated with its investment in Clearwire Communications.

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Additionally, the income tax provision and the effective tax rate for 2010 were impacted by the reversal of deferred income tax assets associated with Time Warner stock option awards held by TWC employees, net of excess tax benefits realized upon the exercise of TWC stock options or vesting of TWC RSUs, as follows (in millions):

Time Warner stock option activity	\$	(80)
TWC equity award activity		12
Net income tax expense	\$	(68)

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

As a result of the Separation, on March 12, 2009, TWC employees who held stock option awards under Time Warner equity plans were treated as if their employment with Time Warner had been terminated without cause. In most cases, this treatment resulted in shortened exercise periods for vested awards, generally one year from the date of the Separation; however, certain awards expire over a five-year period from the date of the Separation. Deferred income tax assets were established based on the Time Warner awards' fair values, and a corresponding benefit to the Company's income tax provision was recognized over the awards' service periods. For unexercised awards that expired out of the money, the fair value was \$0 and the Company received no tax deduction in connection with these awards. As a result, the previously-recognized deferred income tax assets were written off through noncash charges to income tax expense during the periods in which the awards expired. As noted above, the charges were reduced by excess tax benefits realized upon the exercise of TWC stock options or vesting of TWC RSUs in the same year in which the charge was taken.

Absent the impacts of the above items, the effective tax rates would have been 40.3% and 40.9% for 2010 and 2009, respectively.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests decreased principally due to changes in the ownership structure of the Company that occurred during the first quarter of 2009 in connection with the Separation.

Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders. Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders were as follows for 2010 and 2009 (in millions, except per share data):

	Year Ended December 31,		% Change
	2010	2009	
Net income attributable to TWC shareholders	\$ 1,308	\$ 1,070	22.2%
Net income per common share attributable to TWC common shareholders:			
Basic	\$ 3.67	\$ 3.07	19.5%
Diluted	\$ 3.64	\$ 3.05	19.3%

Net income attributable to TWC shareholders and net income per common share attributable to TWC common shareholders increased primarily due to an increase in Operating Income, which was partially offset by increases in income tax provision and interest expense, net, each as discussed above.

FINANCIAL CONDITION AND LIQUIDITY

Management believes that cash generated by or available to TWC should be sufficient to fund its capital and liquidity needs for the next twelve months and for the foreseeable future thereafter, including the pending Insight acquisition, quarterly dividend payments, common stock repurchases and maturities of long-term debt. TWC's sources of cash include cash and equivalents on hand, cash provided by operating activities, borrowing capacity under its committed credit facility and commercial paper program and, subject to closing, the expected proceeds from the pending sale of SpectrumCo's AWS licenses, as well as access to capital markets.

The Company generally invests its cash and equivalents in a combination of money market, government and treasury funds, as well as other similar instruments, in accordance with the Company's investment policy of diversifying its investments and limiting the amount of its investments in a single entity or fund. As of December 31, 2011, nearly all of the Company's cash and equivalents was invested in money market funds and income earning bank deposits, including certificates of deposit, with no more than 10% invested in any one fund or deposit.

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TWC's unused committed financial capacity was \$9.033 billion as of December 31, 2011, reflecting \$5.177 billion of cash and equivalents and \$3.856 billion of available borrowing capacity under the Company's \$4.0 billion senior unsecured three-year revolving credit facility (the Revolving Credit Facility).

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

As of December 31, 2011, the Company had \$26.442 billion of debt, \$5.177 billion of cash and equivalents (net debt of \$21.265 billion, defined as total debt less cash and equivalents), \$300 million of mandatorily redeemable non-voting Series A Preferred Equity Membership Units (the TW NY Cable Preferred Membership Units) issued by a subsidiary of TWC, Time Warner NY Cable LLC (TW NY Cable), and \$7.530 billion of total TWC shareholders' equity. As of December 31, 2010, the Company had \$23.121 billion of debt, \$3.047 billion of cash and equivalents (net debt of \$20.074 billion), \$300 million of TW NY Cable Preferred Membership Units and \$9.210 billion of total TWC shareholders' equity.

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

Balance as of December 31, 2010	\$ 20,074
Cash provided by operating activities	(5,688)
Capital expenditures	2,937
Repurchases of common stock	2,657
Dividends paid	642
NaviSite acquisition, net ^(a)	323
NewWave cable systems acquisition	259
Decrease in the fair value of debt subject to interest rate swap contracts ^(b)	121
Proceeds from exercise of stock options	(114)
All other, net	54
Balance as of December 31, 2011	\$ 21,265

^(a) In addition to the NaviSite purchase price, amount includes the repayment of NaviSite's debt and capital leases assumed.

^(b) The increase in the fair value of debt subject to interest rate swap contracts is equal to the increase in the fair value of the underlying swaps, which are separately recorded as assets in the accompanying consolidated balance sheet. See Note 11 to the accompanying consolidated financial statements for a discussion of the Company's accounting for its interest rate swap contracts.

On April 28, 2011, TWC filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (the SEC) that allows TWC to offer and sell from time to time a variety of securities.

As previously discussed, on August 15, 2011, TWC entered into the Merger Agreement to acquire Insight and its subsidiaries. TWC agreed to pay \$3.0 billion in cash for Insight, as reduced by Insight's indebtedness for borrowed money and similar obligations and subject to customary adjustments. The Company has obtained all necessary regulatory approvals and expects the transaction to close by the end of the first quarter of 2012. See Note 6 to the accompanying consolidated financial statements for additional information on this acquisition.

As previously discussed, on December 2, 2011, SpectrumCo entered into an agreement pursuant to which it will sell its AWS licenses to Verizon Wireless for \$3.6 billion. TWC, which owns 31.2% of SpectrumCo, will be entitled to receive approximately \$1.1 billion (approximately \$950 million on an after-tax basis). The transaction, which is subject to certain regulatory approvals and customary closing conditions, is expected to close during 2012.

On January 25, 2012, the Company's Board of Directors declared a quarterly cash dividend of \$0.56 per share of TWC common stock, payable in cash on March 15, 2012 to stockholders of record at the close of business on February 29, 2012.

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From the inception of the Stock Repurchase Program through February 15, 2012, the Company repurchased 47.8 million shares of TWC common stock for \$3.325 billion. As of February 15, 2012, the Company had \$3.917 billion remaining under the Stock Repurchase Program.

Cash Flows

Cash and equivalents increased \$2.130 billion and \$1.999 billion in 2011 and 2010, respectively, and decreased \$4.401 billion in 2009. Components of these changes are discussed below in more detail.

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

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

	Year Ended December 31,		
	2011	2010	2009
OIBDA	\$ 7,096	\$ 6,818	\$ 6,402
Noncash equity-based compensation	112	109	97
Net interest payments ^(a)	(1,434)	(1,359)	(1,221)
Pension plan contributions	(405)	(104)	(170)
Net income tax refunds (payments) ^(b)	162	(388)	(37)
Net merger-related and restructuring accruals (payments)	11	(1)	14
All other, net, including working capital changes	146	143	94
Cash provided by operating activities	\$ 5,688	\$ 5,218	\$ 5,179

^(a) Amounts include interest income received (including amounts received under interest rate swap contracts) of \$161 million, \$99 million and \$13 million in 2011, 2010 and 2009, respectively.

^(b) Amounts include income tax refunds received of \$273 million, \$93 million and \$53 million in 2011, 2010 and 2009, respectively.

Cash provided by operating activities increased from \$5.218 billion in 2010 to \$5.688 billion in 2011. This increase was primarily related to changes in income tax refunds and payments (discussed below) and an increase in OIBDA, partially offset by increases in pension plan contributions and net interest payments.

On September 27, 2010, the Small Business Jobs Act was enacted, which provided for a bonus depreciation deduction of 50% of the cost of the Company's qualified capital expenditures retroactive to the beginning of 2010. Additionally, on December 17, 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 was enacted, which provides for a bonus depreciation deduction of 100% of the cost of the Company's qualified capital expenditures from September 8, 2010 through December 31, 2011. As a result of these Acts, the Company received an income tax refund of \$270 million in the first quarter of 2011, which, along with the benefit of 100% bonus depreciation through December 31, 2011 and increased pension plan contributions in the fourth quarter of 2011 (which are an income tax deduction), resulted in net income tax refunds of \$162 million for the year ended December 31, 2011. The Company expects net income tax payments to increase significantly in 2012 as a result of the decline in the bonus depreciation deduction to 50% of the cost of the Company's 2012 qualified capital expenditures and the continued reversal of bonus depreciation benefits recorded in prior years, as well as income tax payments on the pending SpectrumCo sale gain.

The Company contributed \$405 million to its qualified and nonqualified noncontributory defined benefit pension plans (the "pension plans") during 2011 and may make discretionary cash contributions to the pension plans in 2012. As of December 31, 2011, the pension plans were underfunded by \$50 million. See Note 15 to the accompanying consolidated financial statements for additional discussion of the pension plans.

Net interest payments for 2011 increased primarily as a result of interest payments related to the public debt issuances in December 2009 and November 2010, partially offset by an increase in amounts received under interest rate swaps. The Company expects that its net interest payments will increase in 2012 compared to 2011 primarily as a result of interest payments related to the 2011 Bond Offerings.

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Cash provided by operating activities increased from \$5.179 billion in 2009 to \$5.218 billion in 2010. This increase was primarily related to an increase in OIBDA and decreases in pension plan contributions and working capital requirements, largely offset by increases in net income tax and interest payments.

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

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

	Year Ended December 31,		
	2011	2010	2009
Acquisitions and investments, net of cash acquired and distributions received:			
NaviSite acquisition	\$ (263)	\$	\$
NewWave cable systems acquisition	(259)		
Other cable system acquisitions	(38)		
Clearwire Communications ^(a)		(4)	(97)
The Reserve Fund's Primary Fund ^(b)		35	64
Sterling Entertainment Enterprises, LLC ^(c)	3	65	3
Canoe Ventures LLC ^(d)	(17)	(21)	(8)
SpectrumCo ^(a)	(3)	(2)	(29)
All other	(53)	(25)	(21)
Capital expenditures	(2,937)	(2,930)	(3,231)
Other investing activities	37	10	12
Cash used by investing activities	\$ (3,530)	\$ (2,872)	\$ (3,307)

(a) Refer to Note 7 to the accompanying consolidated financial statements for details on the Company's investments in Clearwire Communications and SpectrumCo.

(b) 2010 and 2009 amounts reflect the receipt of the Company's pro rata share of partial distributions made by The Reserve Fund's Primary Fund.

(c) Amount represents distributions received from Sterling Entertainment Enterprises, LLC (doing business as SportsNet New York), an equity-method investee.

(d) Amount represents investments in Canoe Ventures LLC, an equity-method investee. Canoe Ventures LLC is a joint venture formed by TWC and certain other cable operators and is focused on developing a common technology platform among cable operators for the delivery of advanced advertising products and services to be offered to programmers and advertisers.

Cash used by investing activities increased from \$2.872 billion in 2010 to \$3.530 billion in 2011. This increase was principally due to the acquisitions of NaviSite and the NewWave cable systems.

Cash used by investing activities decreased from \$3.307 billion in 2009 to \$2.872 billion in 2010. This decrease was principally due to a decline in capital expenditures and the change in acquisitions and investments, net.

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

TWC's capital expenditures included the following major categories (in millions):

	Year Ended December 31,		
	2011	2010	2009
Customer premise equipment ^(a)	\$ 1,008	\$ 1,136	\$ 1,251
Scalable infrastructure ^(b)	774	713	787
Line extensions ^(c)	320	351	335
Upgrades/rebuilds ^(d)	106	150	174
Support capital ^(e)	729	580	684
Total capital expenditures	\$ 2,937	\$ 2,930	\$ 3,231

- (a) Amounts represent costs incurred in the purchase and installation of equipment that resides at a customer's home or business for the purpose of receiving/sending video, high-speed data and/or voice signals. Such equipment includes digital (including high-definition) set-top boxes, remote controls, high-speed data modems (including wireless), telephone modems and the costs of installing such new equipment. Customer premise equipment also includes materials and labor costs incurred to install the drop cable that connects a customer's dwelling or business to the closest point of the main distribution network.
- (b) Amounts represent costs incurred in the purchase and installation of equipment that controls signal reception, processing and transmission throughout TWC's distribution network, as well as controls and communicates with the equipment residing at a customer's home or business. Also included in scalable infrastructure is certain equipment necessary for content aggregation and distribution (video-on-demand equipment) and equipment necessary to provide certain video, high-speed data and Digital Phone service features (voicemail, e-mail, etc.).
- (c) Amounts represent costs incurred to extend TWC's distribution network into a geographic area previously not served. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (d) Amounts primarily represent costs incurred to upgrade or replace certain existing components or an entire geographic area of TWC's distribution network. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (e) Amounts represent all other capital purchases required to run day-to-day operations. These costs typically include vehicles, land and buildings, computer hardware/software, office equipment, furniture and fixtures, tools and test equipment. Amounts include capitalized software costs of \$339 million, \$203 million and \$202 million in 2011, 2010 and 2009, respectively.

The Company expects that capital expenditures in 2012 will be similar to 2011 and 2010.

Financing Activities

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

	Year Ended December 31,		
	2011	2010	2009
Short-term borrowings (repayments), net ^(a)	\$	\$ (1,261)	\$ 1,261
Borrowings	3,227	1,872	12,037
Repayments	(44)	(8)	(8,677)
Debt issuance costs	(25)	(25)	(34)
Proceeds from exercise of stock options	114	122	4
Taxes paid in lieu of shares issued for equity-based compensation	(29)	(9)	
Excess tax benefit from equity-based compensation	48	19	

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Dividends paid	(642)	(576)	
Repurchases of common stock	(2,657)	(472)	
Payment of special cash dividend			(10,856)
Other financing activities	(20)	(9)	(8)
Cash used by financing activities	\$ (28)	\$ (347)	\$ (6,273)

^(a) Short-term borrowings (repayments), net, reflects borrowings under the Company's commercial paper program with original maturities of three months or less, net of repayments of such borrowings.

Cash used by financing activities was \$28 million in 2011 compared to \$347 million in 2010. Cash used by financing activities in 2011 primarily consisted of repurchases of TWC common stock and the payment of quarterly cash dividends, partially offset by the net proceeds of the 2011 Bond Offerings and the net proceeds from the exercise of stock options. Cash

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

used by financing activities in 2010 primarily included net repayments under the Company's commercial paper program, the payment of quarterly cash dividends and repurchases of TWC common stock, partially offset by the net proceeds of the public debt issuance in November 2010 and the net proceeds from the exercise of stock options.

Cash used by financing activities was \$347 million in 2010 compared to \$6.273 billion in 2009. Cash used by financing activities in 2010 primarily included net repayments under the Company's commercial paper program, the payment of quarterly cash dividends and repurchases of TWC common stock, partially offset by the net proceeds of the public debt issuance in November 2010 and the net proceeds from the exercise of stock options. Cash used by financing activities in 2009 primarily included the payment of the special cash dividend in connection with the Separation, partially offset by the net proceeds of the public debt issuances in March, June and December 2009 (after repayment of other debt).

Outstanding Debt and Mandatorily Redeemable Preferred Equity and Available Financial Capacity

Debt and mandatorily redeemable preferred equity as of December 31, 2011 and 2010 were as follows:

	Maturity	Interest Rate	Outstanding Balance as of December 31,	
			2011	2010
			(in millions)	
TWC notes and debentures ^(a)	2012-2041	5.859% ^(b)	\$ 23,744	\$ 20,418
TWE notes and debentures ^(c)	2012-2033	7.625% ^(b)	2,683	2,700
Revolving credit facility ^(d)	2013			
Commercial paper program	2013			
Capital leases	2013-2017		15	3
Total debt^(e)			26,442	23,121
TW NY Cable Preferred Membership Units	2013	8.210%	300	300
Total debt and mandatorily redeemable preferred equity			\$ 26,742	\$ 23,421

^(a) Outstanding balance of TWC notes and debentures as of December 31, 2011 includes £623 million of 5.75% notes due 2031 valued at \$968 million using the exchange rate at that date.

^(b) Rate represents a weighted-average effective interest rate as of December 31, 2011 and includes the effects of interest rate swaps and, for the TWC notes and debentures, cross-currency swaps.

^(c) Outstanding balance of TWE notes and debentures as of December 31, 2011 and 2010 includes an unamortized fair value adjustment of \$79 million and \$91 million, respectively, primarily consisting of the fair value adjustment recognized as a result of the 2001 merger of America Online, Inc. (now known as AOL Inc.) and Time Warner Inc. (now known as Historic TW Inc.).

^(d) TWC's unused committed financial capacity was \$9.033 billion as of December 31, 2011, reflecting \$5.177 billion of cash and equivalents and \$3.856 billion of available borrowing capacity under the Revolving Credit Facility (which reflects a reduction of \$144 million for outstanding letters of credit backed by the Revolving Credit Facility).

^(e) Outstanding balance of total debt includes \$2.122 billion of current maturities of long-term debt as of December 31, 2011 (none as of December 31, 2010). See Overview Recent Developments 2011 Bond Offerings and Notes 9 and 10 to the accompanying consolidated financial statements for further details regarding the Company's outstanding debt and mandatorily redeemable preferred equity and other financing arrangements, including certain information about maturities, covenants and rating triggers related to such debt and financing arrangements. At December 31, 2011, TWC was in compliance with the leverage ratio covenant of the Revolving Credit Facility, with a ratio of consolidated total debt as of December 31, 2011 to consolidated EBITDA for 2011 of approximately 2.9 times. In accordance with the Revolving Credit Facility agreement,

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consolidated total debt as of December 31, 2011 was calculated as (a) total debt per the accompanying consolidated balance sheet less the TWE unamortized fair value adjustment (discussed above) and the fair value of debt subject to interest rate swaps, less (b) total cash per the accompanying consolidated balance sheet in excess of \$25 million. In accordance with the Revolving Credit Facility agreement, consolidated EBITDA for 2011 was calculated as OIBDA plus asset impairments and equity-based compensation expense. The leverage ratio is calculated without adjustments for pending acquisitions, such as the Insight acquisition.

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

The Company has obligations to make future payments for goods and services under certain contractual arrangements. These contractual obligations secure the future rights to various assets and services to be used in the normal course of the Company's 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 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.

The following table summarizes the Company's aggregate contractual obligations as of 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 (in millions):

	2012	2013-2014	2015-2016	Thereafter	Total
Programming and content purchases ^(a)	\$ 3,986	\$ 7,295	\$ 5,397	\$ 7,580	\$ 24,258
Outstanding debt obligations and TW NY Cable Preferred Membership Units ^(b)	2,104	3,554	504	20,415	26,577
Interest and dividends ^(c)	1,743	3,048	2,705	14,605	22,101
Facility leases ^(d)	127	231	198	345	901
Voice connectivity ^(e)	309	213			522
Data processing services	59	38			97
High-speed data connectivity ^(f)	34	15	4	19	72
Other ^(g)	237	161	24	100	522
Total	\$ 8,599	\$ 14,555	\$ 8,832	\$ 43,064	\$ 75,050

(a) Programming purchases represent contracts that the Company has with cable television networks and broadcast stations to provide programming services to its subscribers. The amounts included above represent estimates of the future programming costs for these contract requirements and commitments based on subscriber numbers and tier placement as of December 31, 2011 applied to the per-subscriber rates contained in these contracts. Actual amounts due under such contracts may differ from the amounts above based on the actual subscriber numbers and tier placements. These amounts also include programming rights negotiated directly with content owners for distribution on TWC-owned channels or networks.

(b) Outstanding debt obligations and TW NY Cable Preferred Membership Units represent principal amounts due on outstanding debt obligations and the TW NY Cable Preferred Membership Units as of December 31, 2011. Amounts do not include any fair value adjustments, bond premiums, discounts, interest rate derivatives, interest payments or dividends.

(c) Amounts are based on the outstanding debt or TW NY Cable Preferred Membership Units balances, respective interest or dividend rates (interest rates on variable-rate debt were held constant through maturity at the December 31, 2011 rates) and maturity schedule 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. See Notes 9 and 10 to the accompanying consolidated financial statements for further details.

(d) The Company has lease obligations under various operating leases including minimum lease obligations for real estate and operating equipment.

(e) Voice connectivity obligations relate to transport, switching and interconnection services, primarily provided by Sprint, that allow for the origination and termination of local and long-distance telephony traffic. These expenses also include related technical support services. In the fourth quarter of 2010, the Company began replacing Sprint as the provider of these services. There is generally no obligation to purchase these services if the Company is not providing voice service. The amounts included above are estimated based on the number of voice subscribers as of December 31, 2011 and the per-subscriber contractual rates contained in the contracts that were in effect as of December 31, 2011 and also reflect the replacement of Sprint between the fourth quarter

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2010 and the first quarter of 2014.

- (f) High-speed data connectivity obligations are based on the contractual terms for bandwidth circuits that were in use as of December 31, 2011.
- (g) Other contractual obligations does not include the Company's reserve for uncertain tax positions and related accrued interest and penalties, which as of December 31, 2011 totaled \$66 million, as the specific timing of any cash payments relating to this obligation cannot be projected with reasonable certainty. The Company's total rent expense amounted to \$202 million, \$212 million and \$212 million in 2011, 2010 and 2009, respectively. Included within these amounts are pole attachment rental fees of \$55 million, \$71 million and \$72 million in 2011, 2010 and 2009, respectively.

Minimum pension funding requirements have not been presented as such amounts have not been determined beyond 2011. The Company was not required to make any cash contributions to its qualified defined benefit pension plans in 2011; however, the Company made cash contributions of \$405 million to the pension plans during 2011 and may make discretionary cash contributions to the pension plans in 2012.

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

TWC has cable franchise agreements containing provisions requiring the construction of cable plant and the provision of services to customers within the franchise areas. In connection with these obligations under existing franchise agreements, TWC obtains surety bonds or letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. Such surety bonds and letters of credit as of December 31, 2011 and 2010 totaled \$335 million and \$322 million, respectively. Payments under these arrangements are required only in the event of nonperformance. TWC does not expect that these contingent commitments will result in any amounts being paid in the foreseeable future.

MARKET RISK MANAGEMENT

Market risk is the potential gain/loss arising from changes in market rates and prices, such as interest rates.

Interest Rate Risk***Fixed-rate Debt and TW NY Cable Preferred Membership Units***

As of December 31, 2011, TWC had fixed-rate debt and TW NY Cable Preferred Membership Units with an outstanding balance of \$26.430 billion (excluding the estimated fair value of the interest rate derivative transactions discussed below) and an estimated fair value of \$30.445 billion. Based on TWC's fixed-rate debt obligations outstanding at December 31, 2011, a 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 \$572 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.

Variable-rate Debt

As of December 31, 2011, TWC had no outstanding variable-rate debt.

Interest Rate Derivative Transactions

The Company is exposed to the market risk of adverse changes in interest rates. To manage the volatility relating to these exposures, the Company's policy is to maintain a mix of fixed-rate and variable-rate debt by entering into various interest rate derivative transactions as described below to help achieve that mix. Using interest rate swaps, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

The following table summarizes the terms of the Company's existing fixed to variable interest rate swaps as of December 31, 2011:

Maturities	2012-2017
Notional amount (in millions)	\$ 7,850
Average pay rate (variable based on LIBOR plus variable margins)	4.34%
Average receive rate (fixed)	6.34%
Estimated fair value of asset, net (in millions)	\$ 297

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. Interest rate swaps represent an integral part of the Company's interest rate risk management program and resulted in a decrease in interest expense, net, of \$163 million in 2011.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Foreign Currency Exchange Risk

TWC is exposed to the market risks associated with fluctuations in the British pound sterling exchange rate as it relates to the £625 million in aggregate principal amount of 5.75% senior unsecured notes due 2031 issued in the May 2011 Bond Offering. As described further in Note 11 to the accompanying consolidated financial statements, the Company has entered into cross-currency swaps to effectively convert the entire balance of its fixed-rate British pound sterling denominated debt to fixed-rate U.S. dollar denominated debt, hedging the risk that the cash flows related to annual interest payments and the payment of principal at maturity may be adversely affected by fluctuations in currency exchange rates. The gains and losses on the cross-currency swaps offset changes in the fair value of the Company's fixed-rate British pound sterling denominated debt resulting from changes in exchange rates.

Equity Risk

TWC is also exposed to market risk as it relates to changes in the market value of its investments. TWC invests in equity instruments of companies for operational and strategic business purposes. These investments are subject to significant fluctuations in fair market value. As of December 31, 2011, TWC had \$774 million of investments, which included \$693 million related to SpectrumCo. Refer to Overview Recent Developments Wireless-related Agreements for further details regarding SpectrumCo's pending sale of its AWS licenses to Verizon Wireless.

Prior to 2007, some of TWC's employees were granted options to purchase shares of Time Warner common stock in connection with their past employment with subsidiaries and affiliates of Time Warner, including TWC. Upon the exercise of Time Warner stock options held by TWC employees, TWC is obligated to reimburse Time Warner for the excess of the market price of Time Warner common stock on the day of exercise over the option exercise price (the intrinsic value of the award). The Company records the equity award reimbursement obligation at fair value in other current liabilities in the consolidated balance sheet, which is estimated using the Black-Scholes model. The change in the equity award reimbursement obligation fluctuates primarily with the fair value and expected volatility of Time Warner common stock and changes in fair value are recorded in other expense, net, in the period of change. For the year ended December 31, 2011, TWC recognized a loss of \$5 million in other expense, net, in the accompanying consolidated statement of operations for the change in the fair value of the equity award reimbursement obligation after the Separation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements are prepared in accordance with 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 and estimate to be critical if it requires the use of assumptions that were uncertain at the time the estimate was made and if changes in the estimate or selection of a different estimate could have a material effect on the Company's consolidated results of operations or financial condition. The development and selection of the following critical accounting policies and estimates have been determined by the management of TWC and the related disclosures have been reviewed with the Audit Committee of the Board of Directors of TWC. Due to the significant judgment involved in selecting certain of the assumptions used in these areas, it is possible that different parties could choose different assumptions and reach different conclusions. For a summary of all of the Company's significant accounting policies, see Note 3 to the accompanying consolidated financial statements.

Asset Impairments

Indefinite-lived Intangible Assets and Goodwill

The impairment test for intangible assets not subject to amortization (e.g., cable franchise rights) involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment charge is recognized in an amount equal to that excess.

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The impairment test for goodwill is conducted using a two-step process. The first step involves a comparison of the estimated fair value of each of the Company's reporting units to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the

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

impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment charge is recognized in an amount equal to that excess.

As discussed further in Note 8 to the accompanying consolidated financial statements, the Company determined that cable franchise rights and goodwill were not impaired during its annual impairment analysis as of July 1, 2011. The estimates of fair value for the cable franchise rights were determined using a discounted cash flow (DCF) analysis. The DCF methodology entailed identifying the projected discrete cash flows related to the cable franchise rights and discounting them back to the valuation date. Significant judgments inherent in this analysis included the selection of appropriate discount rates, estimating the amount and timing of future cash flows attributable to cable franchise rights and identification of appropriate terminal growth rate assumptions. The discount rates used in the DCF analyses were intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets. To illustrate the extent that the fair value of the cable franchise rights exceeded their carrying value as of July 1, 2011, had the fair values of each of the cable franchise rights been lower by 20%, the Company still would not have recorded an impairment charge.

In performing the first step of the goodwill impairment test, the Company elected to carry forward the values ascribed to its reporting units during its previous annual impairment test. The election to carry forward values was based upon management's determination, after reviewing events that have occurred and circumstances that have changed since the last test, that the likelihood that the carrying amount of its reporting units exceeded their fair value was remote. Additionally, under the previous test, the value of the Company's reporting units significantly exceeded their carrying value. In making its determination, management considered changes in all of the significant variables impacting the fair value of its reporting units including, forecasted cash flows under its most recent long-range projections, changes in discount rates and changes in terminal growth rate assumptions. A decline in the fair values of the reporting units by up to 30% would not have resulted in any goodwill impairment charges as of July 1, 2011. As discussed in Note 6 to the accompanying consolidated financial statements, the Company acquired NaviSite on April 21, 2011 and recorded goodwill of \$142 million. As such, the estimated fair value of NaviSite approximates its carrying value and a future decline in the estimated fair value would result in a goodwill impairment.

Investments

TWC's investments are primarily accounted for using the equity method of accounting. A subjective aspect of accounting for investments involves determining whether an other-than-temporary decline in value of the investment has been sustained. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value by a charge to earnings. This evaluation is dependent on the specific facts and circumstances. TWC evaluates available information (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market prices, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financing at an amount below the cost basis of the Company's investment. This list is not all-inclusive and the Company weighs all known quantitative and qualitative factors in determining if an other-than-temporary decline in the value of an investment has occurred. In 2011, there were no significant investment impairment charges. As discussed above in Market Risk Management Equity Risk, TWC's most significant equity-method investment as of December 31, 2011 is SpectrumCo. Refer to Overview Recent Developments Wireless-related Agreements for further details regarding SpectrumCo's pending sale of its AWS licenses to Verizon Wireless.

Income Taxes

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. Examples of such transactions include business acquisitions and dispositions, including dispositions designed to be tax free, issues related to consideration paid or received, investments and certain financing transactions. Significant judgment is required

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

in assessing and estimating the tax consequences of these transactions. The Company prepares and files tax returns based on interpretation of tax laws and regulations. In the normal course of business, the Company's tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities. In determining the Company's tax provision for financial reporting purposes, the Company establishes a reserve for uncertain income tax positions unless such positions are determined to be more likely than not of being sustained upon examination, based on their technical merits. That is, for financial reporting purposes, the Company only recognizes tax benefits taken on the tax return that it believes are more likely than not of being sustained. There is considerable judgment involved in determining whether positions taken on the tax return are more likely than not of being sustained.

The Company adjusts its tax reserve estimates periodically because of ongoing examinations by, and settlements with, the various taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated tax provision of any given year includes adjustments to prior year income tax accruals that are considered appropriate and any related estimated interest. The Company's policy is to recognize, when applicable, interest and penalties on uncertain income tax positions as part of income tax expense. Refer to Note 17 to the accompanying consolidated financial statements for further details.

Legal Contingencies

The Company is subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. The Company records an estimated liability for those proceedings and claims arising in the ordinary course of business when the loss from such proceedings and claims becomes probable and reasonably estimable. The Company reviews outstanding claims with internal and external counsel to assess the probability and the estimates of loss, including the possible range of an estimated loss. The Company reassesses the risk of loss as new information becomes available and adjusts liabilities as appropriate. The actual cost of resolving a claim may be substantially different from the amount of the liability recorded. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the Company's consolidated financial position but could possibly be material to the Company's consolidated results of operations or cash flow for any one period.

Pension Plans

TWC sponsors qualified noncontributory defined benefit pension plans covering a majority of its employees. TWC also provides a nonqualified noncontributory defined benefit pension plan for certain employees. Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. The Company recognized pension expense associated with these plans of \$123 million, \$117 million and \$162 million in 2011, 2010 and 2009, respectively. The pension expense recognized by the Company is determined using certain assumptions, including the expected long-term rate of return on plan assets, the interest factor implied by the discount rate and the expected rate of compensation increases. TWC uses a December 31 measurement date for its pension plans. See Notes 3 and 15 to the accompanying consolidated financial statements for additional discussion. The determination of these assumptions is discussed in more detail below.

The Company used a discount rate of 5.90% to compute 2011 pension expense, which was determined by the matching of plan liability cash flows to a portfolio of bonds individually selected from a large population of high-quality corporate bonds. A decrease in the discount rate of 25 basis points, from 5.90% to 5.65% while holding all other assumptions constant, would have resulted in an increase in the Company's pension expense of approximately \$17 million in 2011.

The Company's expected long-term rate of return on plan assets used to compute 2011 pension expense was 8.00%. In developing the expected long-term rate of return on assets, the Company considered the pension portfolio's composition, past average rate of earnings, discussions with portfolio managers and the Company's asset allocation targets. A decrease in the expected long-term rate of return of 25 basis points, from 8.00% to 7.75%, while holding all other assumptions constant, would have resulted in an increase in the Company's pension expense of approximately \$4 million in 2011.

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The Company used an estimated rate of future compensation increases of 4.25% to compute 2011 pension expense. An increase in the rate of 25 basis points, from 4.25% to 4.50%, while holding all other assumptions constant, would have resulted in an increase in the Company's pension expense of approximately \$7 million in 2011.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The Company expects pension expense to be approximately \$180 million in 2012 based on a discount rate of 5.21%, an expected long-term rate of return on plan assets of 7.75% and an estimated rate of future compensation increases of 4.25%.

Programming Agreements

The Company exercises significant judgment in estimating programming expense associated with certain video programming contracts. The Company's policy is to record video programming costs based on the Company's contractual agreements with its programming vendors, which are generally multi-year agreements that provide for the Company to make payments to the programming vendors at agreed upon rates based on the number of subscribers to which the Company provides the programming service. If a programming contract expires prior to the parties' entry into a new agreement and the Company continues to distribute the service, management estimates the programming costs during the period there is no contract in place. In doing so, management considers the previous contractual rates, inflation and the status of the negotiations in determining its estimates. When the programming contract terms are finalized, an adjustment to programming expense is recorded, if necessary, to reflect the terms of the new contract. Management also makes estimates in the recognition of programming expense related to other items, such as the accounting for free periods and credits from service interruptions, as well as the allocation of consideration exchanged between the parties in multiple-element transactions. Additionally, judgments are also required by management when the Company purchases multiple services from the same programming vendor. In these scenarios, the total consideration provided to the programming vendor is allocated to the various services received based upon their respective fair values. Because multiple services from the same programming vendor may be received over different contractual periods and may have different contractual rates, the allocation of consideration to the individual services may have an impact on the timing of the Company's expense recognition.

Significant judgment is also involved when the Company enters into agreements that result in the Company receiving cash consideration from the programming vendor, usually in the form of advertising sales, channel positioning fees, launch support or marketing support. In these situations, management must determine based upon facts and circumstances if such cash consideration should be recorded as revenue, a reduction in programming expense or a reduction in another expense category (e.g., marketing).

Property, Plant and Equipment

TWC incurs expenditures associated with the construction of its cable systems. Costs associated with the construction of transmission and distribution facilities are capitalized. With respect to customer premise equipment, which includes set-top boxes and high-speed data and telephone modems, TWC capitalizes installation costs only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects of previously installed customer premise equipment are expensed as incurred. TWC uses standard capitalization rates to capitalize installation activities. Significant judgment is involved in the development of these capitalization standards, including the average time required to perform an installation and the determination of the nature and amount of indirect costs to be capitalized. The capitalization standards are reviewed at least annually and adjusted, if necessary, based on comparisons to actual costs incurred.

TWC generally capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Capitalized costs include direct material, labor and overhead, as well as interest. Sales and marketing costs, as well as the costs of repairing or maintaining existing fixed assets, are expensed as incurred. Depreciation on these assets is provided using the straight-line method over their estimated useful lives, which are discussed further in Note 3 to the accompanying consolidated financial statements. Significant judgment is involved in the determination of the useful lives of these assets and is based upon an analysis of several factors, such as the physical attributes of the asset, as well as an assessment of the asset's exposure to future technological obsolescence.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenues, OIBDA, cash provided by operating activities and other financial measures. Words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance used in connection with any discussion of future operating or financial

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

performance identify forward-looking statements. These forward-looking statements are included throughout this report and are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are susceptible to uncertainty and changes in circumstances.

The Company operates in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, political and social conditions. Various factors could adversely affect the operations, business or financial results of TWC in the future and cause TWC's actual results to differ materially from those contained in the forward-looking statements, including those factors discussed in detail in Item 1A, Risk Factors, in Part I of this report, as well as:

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

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

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

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

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

changes in the Company's plans, initiatives and strategies.

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

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TIME WARNER CABLE INC.
CONSOLIDATED BALANCE SHEET

	December 31,	
	2011	2010
	(in millions)	
ASSETS		
Current assets:		
Cash and equivalents	\$ 5,177	\$ 3,047
Receivables, less allowances of \$62 million and \$74 million as of December 31, 2011 and 2010, respectively	767	718
Deferred income tax assets	267	150
Other current assets	187	425
Total current assets	6,398	4,340
Investments	774	866
Property, plant and equipment, net	13,905	13,873
Intangible assets subject to amortization, net	228	132
Intangible assets not subject to amortization	24,272	24,091
Goodwill	2,247	2,091
Other assets	452	429
Total assets	\$ 48,276	\$ 45,822
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 545	\$ 529
Deferred revenue and subscriber-related liabilities	169	163
Accrued programming expense	807	765
Current maturities of long-term debt	2,122	
Other current liabilities	1,727	1,629
Total current liabilities	5,370	3,086
Long-term debt	24,320	23,121
Mandatorily redeemable preferred equity issued by a subsidiary	300	300
Deferred income tax liabilities, net	10,198	9,637
Other liabilities	551	461
Commitments and contingencies (Note 19)		
TWC shareholders' equity:		
Common stock, \$0.01 par value, 315.0 million and 348.3 million shares issued and outstanding as of December 31, 2011 and 2010, respectively	3	3
Additional paid-in capital	8,018	9,444
Retained earnings	68	54
Accumulated other comprehensive loss, net	(559)	(291)
Total TWC shareholders' equity	7,530	9,210
Noncontrolling interests	7	7
Total equity	7,537	9,217
Total liabilities and equity	\$ 48,276	\$ 45,822

See accompanying notes.

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

	Year Ended December 31,		
	2011	2010	2009
	(in millions, except per share data)		
Revenues	\$ 19,675	\$ 18,868	\$ 17,868
Costs and expenses:			
Costs of revenues ^(a)	9,138	8,873	8,455
Selling, general and administrative ^(a)	3,311	3,125	2,930
Depreciation	2,994	2,961	2,836
Amortization	33	168	249
Merger-related and restructuring costs	70	52	81
Asset impairments	60		
Total costs and expenses	15,606	15,179	14,551
Operating Income	4,069	3,689	3,317
Interest expense, net	(1,518)	(1,394)	(1,319)
Other expense, net	(89)	(99)	(86)
Income before income taxes	2,462	2,196	1,912
Income tax provision	(795)	(883)	(820)
Net income	1,667	1,313	1,092
Less: Net income attributable to noncontrolling interests	(2)	(5)	(22)
Net income attributable to TWC shareholders	\$ 1,665	\$ 1,308	\$ 1,070
Net income per common share attributable to TWC common shareholders:			
Basic	\$ 5.02	\$ 3.67	\$ 3.07
Diluted	\$ 4.97	\$ 3.64	\$ 3.05
Average common shares outstanding:			
Basic	329.7	354.2	349.0
Diluted	335.3	359.5	350.9
Cash dividends declared per share	\$ 1.92	\$ 1.60	\$
Special cash dividend declared and paid per share	\$	\$	\$ 30.81

^(a) Costs of revenues and selling, general and administrative expenses exclude depreciation. See accompanying notes.

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

	Year Ended December 31,		
	2011	2010	2009
	(in millions)		
Net income	\$ 1,667	\$ 1,313	\$ 1,092
Change in unrealized losses on pension benefit obligation, net of income tax (benefit) provision of \$(160) million in 2011, \$25 million in 2010 and \$95 million in 2009	(250)	24	146
Change in deferred gains (losses) on cash flow hedges, net of income tax (benefit) provision of \$(12) million in 2011, \$2 million in 2010 and \$2 million in 2009	(18)	4	2
Other comprehensive income (loss)	(268)	28	148
Comprehensive income	1,399	1,341	1,240
Less: Comprehensive income attributable to noncontrolling interests	(2)	(5)	(22)
Comprehensive income attributable to TWC shareholders	\$ 1,397	\$ 1,336	\$ 1,218

See accompanying notes.

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	Year Ended December 31,		
	2011	2010 (in millions)	2009
OPERATING ACTIVITIES			
Net income	\$ 1,667	\$ 1,313	\$ 1,092
Adjustments for noncash and nonoperating items:			
Depreciation	2,994	2,961	2,836
Amortization	33	168	249
Asset impairments	60		
Pretax gain on sale of cable systems			(12)
Loss from equity investments, net of cash distributions	109	132	64
Deferred income taxes	638	687	676
Equity-based compensation	112	109	97
Excess tax benefit from equity-based compensation	(48)	(19)	
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Receivables	(25)	(50)	2
Accounts payable and other liabilities	202	(177)	161
Other changes	(54)	94	14
Cash provided by operating activities	5,688	5,218	5,179
INVESTING ACTIVITIES			
Acquisitions and investments, net of cash acquired and distributions received	(630)	48	(88)
Capital expenditures	(2,937)	(2,930)	(3,231)
Other investing activities	37	10	12
Cash used by investing activities	(3,530)	(2,872)	(3,307)
FINANCING ACTIVITIES			
Short-term borrowings (repayments), net ^(a)		(1,261)	1,261
Borrowings ^(b)	3,227	1,872	12,037
Repayments ^(b)	(44)	(8)	