

TIME WARNER CABLE INC.
Form 10-K
February 12, 2016
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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, 2015

Commission file number 001-33335

TIME WARNER CABLE INC.

(Exact name of registrant as specified in its charter)

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

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

60 Columbus Circle

New York, New York 10023

(Address of principal executive offices) (Zip Code)

(212) 364-8200

(Registrant's telephone number, including area code)

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 |
| 5.250% Notes due 2042 | 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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of the close of business on February 10, 2016, there were 283,270,372 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, 2015) was approximately \$50.4 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 2016 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, the Midwest (including Ohio, Kentucky and Wisconsin), Southern California (including Los Angeles) and Texas. TWC's mission is to connect its customers to the world simply, reliably and with superior service. As of December 31, 2015, TWC served approximately 15.9 million residential and business services customers who subscribed to one or more of its video, high-speed data and voice services. TWC's residential services also include security and home management services, and TWC's business services also include networking and transport services (including cell tower backhaul services) and enterprise-class, cloud-enabled hosting, managed applications and services. TWC also sells video and online advertising inventory to a variety of local, regional and national customers.

Recent Developments***Charter Merger***

On May 23, 2015, TWC entered into an Agreement and Plan of Mergers (the Charter Merger Agreement) with Charter Communications, Inc. (Charter) and certain of its subsidiaries, pursuant to which the parties will engage in a series of transactions (the Charter merger) that will result in the Company and Charter becoming 100% owned subsidiaries of a new public parent company (New Charter), on the terms and subject to the conditions set forth in the Charter Merger Agreement. On September 21, 2015, the Company's stockholders approved the adoption of the Charter Merger Agreement, and Charter's stockholders approved, among other things, the adoption of the Charter Merger Agreement and the issuance of New Charter Class A common stock to TWC stockholders in the Charter merger. The Charter merger is subject to regulatory approvals and certain other closing conditions.

Bright House Networks Transaction

On May 23, 2015, Charter and Advance/Newhouse Partnership (A/N) and certain of their affiliates amended an agreement the parties had signed on March 31, 2015 (the Bright House Networks Agreement). Under the amended Bright House Networks Agreement, Charter will acquire Bright House Networks, LLC (Bright House Networks), subject to, among other conditions, the closing of the Charter merger. Bright House Networks is a 100% owned subsidiary of the Time Warner Entertainment-Advance/Newhouse Partnership (TWE-A/N) between A/N and Time Warner Cable Enterprises LLC (TWCE), a subsidiary of TWC. The closing of Charter's acquisition of Bright House Networks is expected to occur concurrently with the closing of the Charter merger. However, the closing of the Charter merger is not conditioned on the closing of the Bright House Networks transaction.

In the Charter Merger Agreement, the Company and TWCE agreed to irrevocably and unconditionally waive their right of first offer to acquire the assets of Bright House Networks during the pendency of the Charter merger. This waiver will expire if the Charter Merger Agreement is terminated in accordance with its terms, provided that the Company or any of its Affiliates (as defined in the Charter Merger Agreement) does not, within nine months following such a termination, enter into an agreement or understanding in respect of, or consummate, an alternative acquisition transaction. For additional information about the TWE-A/N partnership, refer to TWE-A/N Partnership below.

Termination of Comcast Merger

On April 24, 2015, Comcast Corporation (Comcast) and the Company terminated their February 12, 2014 Agreement and Plan of Merger, under which the Company had agreed, on the terms and subject to the conditions set forth therein, to merge with and into a 100% owned subsidiary of Comcast.

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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 about future events and are inherently subject 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, including the proposed Charter merger. 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 changes in circumstances, 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.twc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC (www.sec.gov). The Company is providing the address to its website solely for the information of investors. The Company does not intend the address to be an active link or to incorporate the contents of the website into this report.

Services

TWC has three reportable segments: Residential Services, Business Services and Other Operations.

Residential Services

TWC offers video, high-speed data and voice services, as well as security and home management services, to residential customers. As of December 31, 2015, the Company served approximately 15.1 million residential services customers.

Video Services

Programming. TWC's video service provides over 300 channels (including, on average, over 200 high-definition (HD) channels) and 30,000 video-on-demand (VOD) choices, an increasing subset of which consumers can watch on the device of their choosing, both inside and outside the home. TWC offers various tiers and packages of video programming and music services tailored to appeal to various groups of customers. For example, TWC offers specialty tiers of genre-based programming with sports, family and international themes. TWC also offers out-of-market sports packages, such as MLB Extra Innings, NBA League Pass and NHL Center Ice. TWC's residential video subscribers also may subscribe to premium network programming, such as Cinemax, HBO, Showtime, Starz and The Movie Channel and related offerings, on an à la carte basis and in packages.

TWC's residential video subscribers pay a monthly charge based on the video programming tier or package they receive. Subscribers to specialized tiers and premium networks are charged an additional monthly amount. Discounts are generally available for the purchase of multiple tiers, packages or services. Fees are also charged for certain video services, including fees for broadcast and sports TV programming.

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Time-shifting. TWC provides a broad range of advanced services, such as VOD, digital video recorders (DVRs) and Start Over services that give residential video subscribers control over when they watch their favorite programming.

TWC's VOD service provides residential video subscribers with access to a wide selection of movies, programming from broadcast and cable networks, premium movie services, music videos, local programming and other content as a complement to the programming packages and channels to which they subscribe. TWC also offers a wide selection of movies and special events on a transactional or pay-per-view basis.

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. TWC offers whole home DVR, a multi-room DVR service that allows a program recorded on a DVR to be watched through other compatible set-top boxes in a customer's home. In addition, during 2015, TWC continued to deploy its next-generation whole home DVRs, or Enhanced DVRs, which allow customers to watch and record six shows simultaneously and record up to 150 hours of HD programming. Customers may program and manage their DVRs remotely via a smartphone, tablet or computer. 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.

New ways to watch. TWC, through its TWC TV apps, enables in-home viewing of over 300 channels of live programming and over 16,000 choices of VOD programming on a variety of devices, including Apple iOS and Android tablets and smart phones, Amazon Kindle Fire tablets, Roku streaming players, Samsung Smart TVs, and Xbox One and Xbox 360 video game consoles, as well as on PC and Mac computers via www.twctv.com. These alternative viewing platforms act as a complement to a digital set-top box or digital adapter. In November 2015, TWC launched a trial of an IP video offering that eliminates the need for a leased set-top box.

Through the same TWC TV apps, residential video subscribers are able to watch over 100 live channels and 9,000 choices of VOD content from 64 networks on a TV Everywhere basis outside the home. In addition, TWC provides its video subscribers with access to over 94 TV Everywhere sites and apps owned and managed by programming networks, such as HBO GO and WatchESPN, through a growing number of supported devices at no additional charge.

As of December 31, 2015, TWC served approximately 10.8 million residential video subscribers.

High-speed Data Services

TWC offers a variety of high-speed data service tiers tailored to meet the different needs of its subscribers. These tiers provide a range of speeds (from up to 2 to up to 300 megabits per second (Mbps) downstream) and associated prices. TWC also offers lighter Internet users the option to save money on select tiers by setting a monthly consumption (30 gigabyte (GB) and 5 GB) level. TWC's high-speed data service also provides communication and security services, including email, anti-virus software and parental controls, at no additional charge.

TWC offers subscribers the option to access its high-speed data service via a cable modem gateway provided by TWC for a monthly fee, or to use their own device. TWC's cable modem gateways offer state-of-the-art home networking and associated customer support. In some cases, these cable modem gateways are bundled with a particular tier of high-speed data service or package, and in other cases, they are leased for an additional à la carte charge.

Most of TWC's high-speed data subscribers have access to a nationwide network of nearly 500,000 WiFi hotspots for no additional charge through a combination of TWC owned and operated hotspots, wholesale agreements and agreements with several roaming partners. As of December 31, 2015, TWC had deployed nearly 145,000 TWC WiFi

Hotspots. During 2016, TWC intends to continue to increase the number of WiFi hotspots available to its high-speed data subscribers.

As of December 31, 2015, TWC served approximately 12.7 million residential high-speed data subscribers.

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Voice Services

TWC's residential voice service offers customers unlimited calling throughout the U.S. and to Canada, Mexico, China, Hong Kong, India, Norway, the European Union, and the U.S. territories (Puerto Rico, U.S. Virgin Islands, North Marianas/Guam and American Samoa), and access to popular features in one simple package for a fixed monthly fee. TWC also offers a plan for calling the rest of the world, the Global Penny Phone Plan, which enables customers to call 50 additional countries for only a penny per minute. In addition, TWC provides the Phone 2 Go app, which allows voice customers to access their home phone service on a mobile device for no additional charge over a WiFi or cellular data connection. Through the Phone 2 Go app, voice customers are able to receive and place calls and send text messages on a mobile device using their home number and calling plan as well as view and manage voicemail from their home phone. 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 with TWC's voicemail service may also use VoiceZone to listen to, download and email their messages at no additional charge.

As of December 31, 2015, TWC served approximately 6.3 million residential voice subscribers.

IntelligentHome

TWC's IntelligentHome service offers residential customers a security and home management service. TWC's broadband cable system connects the customer's in-home system to TWC's technologically-advanced emergency response center with cellular backup support. In addition to providing traditional security, fire and medical emergency monitoring and dispatch, the service allows customers to remotely arm or disarm their security system, monitor their home via indoor and outdoor cameras and remotely operate key home functions, including setting and controlling lights, thermostats and door locks. To obtain IntelligentHome service, customers must subscribe to TWC's high-speed data service.

As of December 31, 2015, TWC served 117,000 IntelligentHome customers.

Business Services

TWC offers a wide and growing variety of products and services to business customers, including high-speed data, networking, voice, video, hosting and cloud computing services. TWC offers these services to retail and wholesale businesses using its own network infrastructure and third-party infrastructure as required to meet customer needs. TWC's retail customers range from small businesses with a single location to medium-sized and enterprise businesses with multiple locations as well as government, education and non-profit institutions. TWC's wholesale customers are primarily other service providers, such as telecommunications carriers and network and managed services resellers. As of December 31, 2015, the Company served 752,000 business services customers.

Data Services

TWC offers business customers a variety of data services, including Internet access, network services and wholesale transport services.

Internet access. TWC offers a variety of high-speed data service tiers, each with attributes tailored to meet the different needs of its customers. TWC offers asymmetrical Internet access with downstream speeds up to 300 Mbps. TWC also provides dedicated Internet access to businesses over its fiber network, offering symmetrical speeds up to 10 gigabits per second (Gbps).

Network services. TWC offers Ethernet-based network services that enable businesses to interconnect their geographically dispersed locations and local area networks (LANs) in a private network, with speeds up to 10 Gbps. In addition, on a limited basis, TWC offers point-to-point optical wave service with speeds up to 100 Gbps.

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Wholesale transport services. TWC offers wholesale transport services to wireless telephone providers for cell tower backhaul and to other service providers to connect customers that their own networks do not reach.

As of December 31, 2015, TWC served 638,000 business high-speed data subscribers.

Video Services

TWC offers business customers a wide spectrum of video services, including a full range of video programming tiers and music services targeting businesses of different sizes and across key industries, such as hospitality, healthcare and education.

As of December 31, 2015, TWC served 214,000 business video subscribers.

Voice Services

TWC offers business customers voice services that include both multi-line phone service and trunk service.

Multi-line phone. TWC's multi-line business voice service, Business Class Phone, offers business customers a range of calling plan options along with key business features, such as call hunting, extensive call forwarding options, call restrictions and call transfer. TWC also provides a web-based customer portal, VoiceManager, which allows voice customers to customize and manage the associated service features.

Trunks. TWC's trunk service is offered either through a Primary Rate Interface (PRI) or a Session Initiation Protocol (SIP) handoff to the customer. TWC's PRI trunk service, Business Class PRI, offers medium-sized and enterprise business customers a range of trunk packages with up to 23 simultaneous voice calls on each trunk and a set of voice usage plans. TWC's SIP trunk service, Business Class SIP, offers medium-sized and enterprise business customers a range of trunk packages with up to 200 simultaneous voice calls with a set of voice usage plans. TWC also provides the VoiceManager customer portal to enable each trunk service customer to customize and manage the associated service features.

As of December 31, 2015, TWC served 375,000 business voice subscribers.

Managed and Outsourced IT Solutions and Cloud Services

Through its NaviSite, Inc. subsidiary, TWC provides a range of cloud solutions, including Infrastructure as a Service (IaaS) and Desktop as a Service (DaaS), and customized managed hosting, managed application and messaging solutions along with other related information technology (IT) solutions and professional services for medium-sized and enterprise customers across a variety of industries. In addition, for its smaller business customers, TWC offers a number of managed and cloud services, including managed network security, domain name registration, online backup, hosted Microsoft Exchange and SharePoint and web hosting.

Other Operations

TWC's Other Operations segment principally consists of Time Warner Cable Media (TWC Media), the advertising sales arm of TWC, and the Company's regional sports networks, its local sports, news and lifestyle channels and SportsNet LA (defined below). It also includes other operating revenue and costs, including those derived from A/N and home shopping network-related services. For more information about the TWE-A/N partnership, see TWE-A/N Partnership below.

TWC Media

TWC Media sells video and online advertising inventory to local, regional and national advertising customers. Under its cable network programming agreements, TWC is typically entitled to two or three minutes of advertising time per hour that it can sell to third parties or retain for its own use. TWC also sells the advertising inventory of its owned and operated

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local sports, news and lifestyle channels and its Time Warner Cable Central portal, and advertising inventory on the Company's regional sports networks that carry Los Angeles Lakers' basketball games and other sports programming (Time Warner Cable SportsNet and Time Warner Cable Deportes and, collectively, the Lakers' RSNs) and on SportsNet LA, a regional sports network owned by American Media Productions, LLC (American Media Productions), that carries Los Angeles Dodgers' baseball games and other sports programming.

In many locations, TWC has formed advertising interconnects or entered into representation agreements with video distributors, including, among others, Verizon Communications Inc. (Verizon) FiOS, AT&T Inc. (AT&T) U-verse and Charter, under which TWC sells advertising on behalf of those operators. These arrangements enable TWC and its partners to deliver linear commercials across wider geographic areas, replicating the reach of local broadcast stations to the extent possible. In addition, TWC, together with Comcast, Cox Communications, Inc. (Cox) and Bright House Networks, owns National Cable Communications LLC (National Cable Communications), which, on behalf of a number of video operators, sells advertising time to national and regional advertisers.

Regional Sports Networks and Local Sports, News and Lifestyle Channels

In October 2012, TWC launched the Lakers' RSNs, which carry the Los Angeles Lakers' basketball games as well as other regional sports programming. TWC has a long-term agreement with the Los Angeles Lakers for rights to distribute all locally available pre-season, regular season and post-season Los Angeles Lakers' games. As of December 31, 2015, the Lakers' RSNs were distributed by the majority of major video distributors to approximately 4.9 million subscribers. TWC also manages 31 local news channels, including Time Warner Cable News NY1, a 24-hour news channel focused on New York City, 16 local sports channels and four 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.

In February 2014, American Media Productions, an unaffiliated third party, launched SportsNet LA, a regional sports network carrying the Los Angeles Dodgers' baseball games and other sports programming. In accordance with long-term agreements with American Media Productions, TWC acts as the network's exclusive advertising and affiliate sales agent and has certain branding and programming rights with respect to the network. In addition, TWC provides certain production and technical services to American Media Productions. The Company continues to seek distribution agreements for the carriage of SportsNet LA by major distributors.

Distribution of Services

TWC delivers video, data and voice services over a network that includes a nationwide fiber backbone, fiber-rich regional and metro rings, and last mile connections to customers' homes and businesses. The national backbone delivers nationally centralized content and services to regional origination points or headends. The regional and metro rings provide connectivity among the headends within a specific geographic area. TWC transmits signals via fiber optic cable from these headends to a group of distribution nodes and uses coaxial cable to deliver the signals from the individual nodes to the homes and businesses they serve (an architecture known as hybrid fiber coaxial cable or HFC). TWC also continues to increase the number of businesses directly connected by fiber to its network.

TWC is investing in its network, equipment, products and customer service to improve reliability and customer satisfaction. Since the first quarter of 2014, TWC has rolled out TWC Maxx, which includes all digital conversion and Internet speeds of up to 300 Mbps, in New York, Los Angeles, Austin, Kansas City, Dallas, Raleigh, Charlotte and San Antonio. TWC is currently rolling out TWC Maxx in Hawaii, Wilmington, Greensboro and San Diego and plans to expand TWC Maxx to additional cities, particularly in the Northeast and Midwest, in 2016. In addition, during

2015, TWC continued to deploy new and improved set-top boxes, digital adapters and advanced modems in customers homes throughout its operating areas and to increase the availability of WiFi to its high-speed data subscribers.

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Sources of Supply

TWC contracts with 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 generally pursuant to the compulsory copyright provisions of the Copyright Act of 1976, as amended, as well as under either the Federal Communications Commission (the FCC) must carry rules or a written retransmission consent agreement with the relevant station owner. TWC has multi-year retransmission consent agreements in place with most of the television stations that it carries that have elected retransmission consent during the most-recent election cycle. For more information, see Regulatory Matters below. Cable networks, including premium networks and related VOD content, are carried pursuant to affiliation agreements. TWC seeks to include in its agreements the rights to offer programming to its subscribers through multiple delivery platforms. 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 networks 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 TWCC.com Video Store through iN Demand L.L.C., a company in which TWC holds a minority interest. For more information, see Risk Factors Increases in programming and retransmission costs or the inability to obtain popular programming could adversely affect TWC's operations and financial results.

In addition, TWC has entered into long-term agreements to carry Los Angeles Lakers basketball games and other sports programming on its Lakers RSNs and to act as the exclusive advertising and affiliate sales agent for SportsNet LA. For more information about these agreements, see Services Other Operations Regional Sports Networks and Local Sports, News and Lifestyle Channels above and Risk Factors TWC's business may be adversely affected if it fails to reach distribution agreements providing for carriage of the Lakers RSNs and SportsNet LA or if such agreements are on unfavorable terms.

Set-top boxes and network equipment. TWC purchases set-top boxes, conditional-access security cards (CableCARDS) and modems from a limited number of suppliers and rents these devices to subscribers at monthly rates. See Regulatory Matters Video Services Subscriber rates below. TWC also purchases routers, switches and other network equipment from a limited number of providers. See Risk Factors TWC may not be able to obtain necessary hardware, software and operational support.

High-speed data and voice connectivity. TWC delivers its high-speed data and voice services through its HFC network. TWC uses circuits that it either owns or leases 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 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.

Competition

Residential Services

TWC faces intense competition for residential services customers, both from existing competitors and, as a result of the rapid development of new technologies, services and products, from new entrants.

Video competition. TWC's residential video service faces competition from phone companies with fiber-based networks, primarily AT&T and Verizon, which overlap approximately 44% of TWC's operating areas. Frontier Communications Corporation is in the process of acquiring certain of Verizon's fiber-based systems. TWC's residential video service also faces competition from direct broadcast satellite (DBS) services, which have a national footprint and

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compete in all of TWC's operating areas. DBS providers offer satellite-delivered pre-packaged programming services that can be received by relatively small and inexpensive receiving dishes. They offer aggressive promotional pricing, exclusive programming (e.g., NFL Sunday Ticket) and video services that are comparable in many respects to TWC's residential video service. In July 2015, AT&T, one of TWC's largest competitors, acquired DIRECTV Group Inc. (DIRECTV), the nation's largest DBS provider, with the combined company able to offer bundles of video, high-speed data, wireline phone service and wireless service. As a condition to the FCC approval of the transaction, AT&T is required to deploy fiber to the home (FTTH) to 12.5 million locations within four years.

TWC's residential video service also faces competition from a number of other sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections to TVs, computers, tablets and mobile devices, such as Hulu.com, Apple Inc.'s iTunes, Amazon.com Inc.'s Prime, Netflix, Google Inc.'s (Google) YouTube, Sony Corporation's Playstation Vue, and DISH Network Corporation's Sling. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content.

High-speed data competition. TWC's residential high-speed data service faces competition from the phone companies digital subscriber line (DSL), FTTH and wireless broadband offerings as well as from a variety of companies that offer other forms of online services, including wireless and satellite-based broadband services.

Voice competition. TWC's residential voice service competes with wireline, wireless and over-the-top phone providers, such as Vonage, Skype, magicJack, Google Voice and Ooma, Inc., as well as 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, video conferencing and email. The increase in the number of different technologies capable of carrying voice services and the number of alternative communication options available to customers as well as the replacement of wireline services by wireless have intensified the competitive environment in which TWC operates its residential voice service.

Overbuilders. In some of TWC's operating areas, other operators have built systems and offer video, high-speed data and voice services in competition with TWC. For example, in Kansas City and Austin, Texas, TWC's residential video and high-speed data services compete with Google video and broadband services. Google has announced its intention to launch video and broadband service in other TWC operating areas during 2016, and it is starting to test a voice service in limited areas. In addition to Google, others, including RCN Telecom Services, LLC and WideOpenWest Finance, LLC (WOW), have overbuilt in parts of the Company's operating areas.

Security and home management competition. TWC's IntelligentHome service faces competition from traditional security companies, such as The ADT Corporation, service providers such as Verizon and AT&T, as well as new entrants, such as Vivint, Inc., Alarm.com, Inc. and NEST Labs, Inc. (which Google acquired in 2014).

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 services on devices manufactured by consumer electronics companies.

Business Services

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

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Advertising

TWC faces intense competition for advertising revenue across many different platforms and from a wide range of local and national competitors. Advertising competition has increased and will likely continue to increase as new formats seek to attract the same advertisers. TWC competes for advertising revenue against, among others, local broadcast stations, national cable and broadcast networks, radio stations, print media and online advertising companies and content providers.

Employees

As of December 31, 2015, TWC had approximately 56,600 employees, including approximately 340 part-time employees, and approximately 4.6% of TWC's employees were represented by labor unions. TWC considers its relations with its employees to be good.

Regulatory Matters

TWC's business is subject, in part, to the Communications Act of 1934, as amended (the Communications Act), regulation by the FCC, and other regulation by federal, state, local and foreign authorities under applicable laws and regulations. Various legislative and regulatory proposals under consideration from time to time by the U.S. Congress (Congress) and various federal, state and local authorities have in the past materially affected TWC and may do so in the future. TWC is unable to predict whether any such proposals will be adopted and the extent to which such proposals may affect its business.

The following is a summary of current significant federal, state and local laws and regulations affecting the operation of TWC's business as well as potential material legal and regulatory requirements that could affect its business.

Video Services

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 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, without compensation, 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 March 2011, the FCC initiated a rulemaking proceeding to reform its retransmission consent rules, based, in part, on a petition submitted by a coalition of fourteen public interest groups and multi-channel video programming distributors (MVPDs), including TWC. In March 2014, the FCC revised its rules to provide that joint negotiation of retransmission consent by stations that are ranked among the top four stations in a market (as measured by audience share) and are not commonly owned constitutes a violation of the statutory duty to negotiate retransmission consent in

good faith. In September 2015, at the direction of Congress, the FCC initiated a further rulemaking proceeding to consider additional changes to the retransmission consent regulatory framework intended to update and clarify the obligations of cable operators and broadcast stations to negotiate for retransmission consent in good faith. TWC is unable to predict what additional action, if any, the FCC might take in connection with retransmission consent.

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The Middle Class Tax Relief and Job Creation Act of 2012 requires the FCC to hold an auction whereby certain broadcast television stations may voluntarily relinquish some or all of their spectrum usage rights in exchange for incentive payments. Broadcast television stations also have the ability to enter into channel-sharing arrangements with broadcast television stations that relinquish spectrum rights in the auction. The FCC expects to hold the auction in early 2016. Following the auction, remaining broadcast television stations will be reorganized or repacked into a smaller portion of the existing broadcast television spectrum band. It is uncertain whether broadcast stations with which TWC has existing carriage agreements will relinquish their spectrum usage rights, enter into channel-sharing arrangements, or be repacked following the auction, and what impact such actions would have on TWC and its rights and obligations under its carriage agreements. Similarly, although MVPDs such as TWC are eligible to be reimbursed for eligible costs incurred as a result of the repacking process, it is uncertain whether such reimbursement will be sufficient to cover TWC's actual costs. For further discussion of the broadcast television incentive auction and its potential impact on TWC, see the discussion in Risk Factors. The upcoming broadcast television spectrum incentive auction creates uncertainty and could impose significant additional costs on TWC.

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 15 percent of its channel capacity for commercial leased access by third parties, which limits the amount of capacity TWC has available for other programming and other uses. The FCC regulates the rates and some terms and conditions of third-party commercial use of TWC's channel capacity. Revisions to such rules adopted in 2008 requiring substantial reduction to the rates TWC can charge for leased access have been stayed pursuant to an appeal in the U.S. Court of Appeals for the Sixth Circuit. If implemented, these regulations could significantly increase the Company's costs and burdens associated with leased access requirements.

Program carriage. 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. In August 2011, the FCC issued an order, which, among other things, established rules regarding what a complaint must demonstrate to establish a *prima facie* case of a program carriage violation and established procedures for consideration by the FCC's Media Bureau of a complainant's request for a temporary standstill of the price, terms and other conditions of an existing programming contract pending the FCC's resolution of a complaint proceeding. In September 2013, the U.S. Court of Appeals for the Second Circuit vacated the FCC's temporary standstill rules, finding that they were promulgated in violation of the Administrative Procedure Act of 1946. The FCC's August 2011 order also contained a notice of proposed regulations that could further expand program carriage regulation. This rulemaking proceeding remains pending, and TWC is unable to predict what additional action, if any, the FCC might take in connection with program carriage.

Subscriber rates. The Communications Act and the FCC's rules regulate and limit the rates that TWC may charge for basic cable service and equipment in communities that are not subject to effective competition, as defined by federal law. In June 2015, the FCC amended its rules by adopting a rebuttable presumption that effective competition exists in all local communities (with limited exceptions), absent a contrary showing by the franchising authority. The new rules took effect in September 2015. In August 2015, the National Association of Broadcasters and the National Association of Telecommunications Officers filed an appeal of these rules in the U.S. Court of Appeals for the D.C. Circuit claiming the decision was arbitrary, capricious and an abuse of discretion. Where the presumption of effective competition does not apply or has been rebutted, 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 local 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. In the overwhelming majority of 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.

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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 and telecommunications carriers 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 attachments used to provide cable services and telecommunications services are calculated under different provisions of the Communications Act, and the rates for telecommunications attachments have historically been higher than the rates for cable attachments. In January 2014, the FCC sought comment on a petition filed by Union Electric Company regarding the legal classification of Voice over Internet Protocol (VoIP) services for purposes of assessing pole attachment rates. 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. In the March 2015 net neutrality or open Internet order, the FCC applied pole attachment regulation to providers of broadband Internet access services. In November 2015, the FCC further revised its rules to prevent pole owners from charging providers of telecommunications services (including broadband Internet access service) pole attachment rates that exceed the cable rate. For further discussion of the FCC's net neutrality proceeding, see the discussion in High-speed Internet Access Services and Risk Factors Net neutrality regulation or legislation could limit TWC's ability to operate its business profitably and to manage its broadband facilities efficiently and could result in increased taxes and fees imposed on TWC.

In addition, some of the poles TWC uses are exempt from federal or state 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. For further discussion of pole attachment rates, see the discussion in Risk Factors TWC may encounter substantially increased pole attachment costs.

Equipment regulation. The FCC has adopted regulations intended to promote the retail availability and sale of set-top boxes and other equipment that can be used to receive digital video services. With the exception of certain one-way devices such as digital transport adapters (DTAs), these regulations prohibited cable operators from placing into service set-top boxes that perform both channel navigation and conditional access security functions. The FCC has not applied these regulations to DBS operators. In December 2014, Congress enacted the STELA Reauthorization Act of 2014 (STELAR), which repealed, as of December 2015, the federal mandate banning cable operators from integrating security into their set-top boxes. STELAR directed the FCC to establish an advisory committee of technical experts to study and report findings and recommendations to promote the retail availability of set-top boxes and, on August 28, 2015, the advisory committee issued its final report. At its February 18, 2016 meeting, the FCC will vote on adopting a Notice of Proposed Rulemaking that would propose new rules intended to increase the device and software alternatives for consumers to access the services provided by MVPDs. TWC is unable to predict what, if any, proposals might be adopted and implemented by the FCC or what effect such requirements may have on TWC's business.

In 2012, TWC joined with 14 other MVPDs and device manufacturers to launch a Set-Top Box Energy Conservation Voluntary Agreement (the Set-Top Box Agreement) to continue to improve the energy efficiency of set-top boxes through 2017. In 2013, the Set-Top Box Agreement was expanded to include additional devices, such as modems, and establish more stringent energy conservation commitments that will become effective in 2017.

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 content owners. Instead, in exchange for filing reports with the U.S. Copyright Office and contributing a percentage of basic service 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 differently by the U.S. Copyright Office, could adversely affect TWC's ability to obtain suitable programming and substantially increase TWC's programming costs or copyright payments.

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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.

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. While the states have generally prevailed in such challenges, litigation is ongoing in many states. 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. Such governmental authorities often must approve a transfer of systems to another party. 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 video 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.

At the state level, several states 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. 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.

Cable Programming Services. The Communications Act and the FCC impose regulatory obligations on cable programming services, including the regional sports networks and local programming services provided by TWC. For

instance, FCC regulations generally prevent cable networks affiliated with cable operators from favoring affiliated cable operators over competing MVPDs such as DBS providers. In addition, the Communications Act and FCC rules had limited the ability of cable-affiliated cable networks to offer exclusive programming contracts to a cable operator. In October 2012, the FCC allowed a preemptive restriction on exclusive contracts to expire, while at the same time making clear that any such exclusive contract would be subject to a case-by-case review in response to a complaint alleging unfair

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methods of competition or unfair or deceptive acts that might prevent competitors from providing programming to consumers. The FCC is also considering proposals to establish presumptions that could make it easier for MVPDs to make complaints about exclusive contracts and to use buying groups to purchase programming. It is unclear whether the FCC will adopt such regulations and, if adopted, what impact such rules might have on TWC's business.

High-speed Internet Access Services

TWC provides high-speed Internet access services over its cable facilities. In 2002, the FCC determined that cable-provided high-speed Internet access service was an interstate information service rather than a cable service or a telecommunications service, as those terms are defined in the Communications Act. That determination was later sustained by the U.S. Supreme Court. Under the information service classification, the service is not subject to regulation as either a cable service or a telecommunications service under federal, state or local law. As discussed below, in 2015, the FCC reclassified high-speed Internet access service as a telecommunications service under Title II of the Communications Act, imposing certain legacy telecommunications regulations on such service for the first time.

Net neutrality regulations. Over the past several years, disparate groups have adopted the terms net neutrality and open Internet in connection with their efforts to persuade Congress and regulators to adopt rules that are designed to safeguard consumers' access to lawful content and services via broadband Internet access services. Such rules could limit the ability of broadband Internet access providers to effectively manage or operate their broadband networks.

In December 2010, the FCC adopted open Internet or net neutrality regulations pursuant to Section 706 of the Telecommunications Act of 1996 (the Telecommunications Act), among other statutory provisions. The rules, which became effective in November 2011, imposed transparency requirements on all broadband Internet access providers, prohibited all broadband Internet access providers from blocking access to lawful content, applications and services or non-harmful devices (the anti-blocking rules), and prohibited fixed broadband Internet access providers from unreasonably discriminating in transmitting lawful network traffic (the non-discrimination rules). The anti-blocking rules and the non-discrimination rules included exclusions for reasonable network management. In January 2014, the U.S. Court of Appeals for the D.C. Circuit vacated the anti-blocking rules and the non-discrimination rules, while finding that the FCC did have the statutory authority to implement some regulation of the Internet so long as its rules reasonably advance the objectives of Section 706 of the Telecommunications Act (promotion of broadband deployment) and do not contravene other express statutory mandates.

In March 2015, the FCC issued an order (the Open Internet Order) that reinstated the anti-blocking rules, imposed a new ban on a prioritizing some Internet traffic over other traffic in exchange for payment by a third party, adopted a general standard of conduct for Internet service providers that prohibits actions that unreasonably interfere with or unreasonably disadvantage end users or edge providers in certain circumstances, and adopted enhancements to the existing transparency requirements. The FCC took the further step of reclassifying broadband Internet access services as a telecommunications service subject to regulation under Title II of the Communications Act, as discussed below. In March 2015, several parties, including the United States National Telecom Association, the National Cable & Telecommunications Association, The Wireless Association, the American Cable Association, the Wireless Internet Service Providers Association, AT&T and CenturyLink, Inc. filed suit in the U.S. Court of Appeals for the D.C. Circuit challenging the legality of the FCC's Title II reclassification and the matter is still pending.

In addition, although the Open Internet Order states that the net neutrality regulations do not apply to specialized services that share capacity with broadband over Internet service providers' last-mile facilities (such as VoIP services) or Internet traffic exchange and peering arrangements, the FCC intends to evaluate developments in these areas carefully to ensure that specialized services and Internet traffic exchange and interconnection arrangements do not

undermine the FCC's net neutrality rules and principles. The FCC also stated its intention to address disputes involving Internet traffic exchange and peering arrangements going forward on a case-by-case basis under Title II of the Communications Act. It is uncertain how such case-by-case regulation of Internet traffic exchange and interconnection might affect TWC.

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For further discussion of net neutrality and the impact of the Open Internet Order on TWC, see the discussion in Risk Factors Net neutrality regulation or legislation could limit TWC's ability to operate its business profitably and to manage its broadband facilities efficiently and could result in increased taxes and fees imposed on TWC.

Title II and other regulatory requirements. Pursuant to the Open Internet Order, broadband Internet access service is now classified as a telecommunications service under the Communications Act and subject to legacy telecommunications regulations except to the extent the FCC forbears from applying such requirements. The Open Internet Order includes a grant of such forbearance from enforcement of many regulatory obligations applicable to telecommunications carriers under Title II, but leaves in place certain regulatory requirements with which TWC now must comply with respect to its Internet access services, including general common carrier requirements applicable to rates and practices, and specific duties related to customer privacy and disabilities access, among other things. The FCC stated its intention to adopt new rules clarifying the scope of certain Title II obligations on Internet service providers, but such efforts have not yet concluded. It is uncertain how the FCC will apply applicable Title II requirements to Internet service providers such as TWC, what additional regulations the FCC may adopt in the future, and how such existing and future requirements might affect TWC. TWC's high-speed Internet access services are also subject to a number of other 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.

Voice Services

TWC currently offers residential and business voice services using VoIP technology. The FCC has yet to classify VoIP services as regulated telecommunications services or Title I information services, but has afforded VoIP providers the flexibility to offer their services pursuant to either category. Traditional providers of circuit-switched telephone services and VoIP providers that offer their services as a telecommunications service generally are subject to more regulation than if the service were offered as a Title I information service.

The FCC has extended a number of traditional telephone carrier regulations to all interconnected VoIP providers, including requiring them to: provide E911 capabilities as a standard feature to their subscribers; comply with the requirements of CALEA to assist law enforcement investigations in providing, after a lawful request, call content and call identification information; contribute to the Universal Service Fund (USF); pay regulatory fees; comply with subscriber privacy rules; provide access to their services to persons with disabilities; comply with service discontinuance requirements and local number portability (LNP) rules when subscribers change telephone providers, and report certain service outages. In addition, certain states have sought to impose state regulation on interconnected VoIP providers such as TWC.

TWC has submitted to state telephone regulation and to being classified as a telecommunications carrier in certain states in connection with TWC's provision of discounted Lifeline telephone services to low-income customers. In order to participate in the Lifeline program and receive reimbursement from the federal and, if applicable, state USFs, voice providers must be designated as Eligible Telecommunications Carriers. Therefore, in New York and California, states in which TWC has deployed Lifeline telephone services, TWC is regulated as a telecommunications carrier and is subject to Eligible Telecommunications Carrier requirements. This places additional operational, regulatory and administrative burdens on TWC's business and could expose TWC to additional regulatory risk in connection with its compliance with state and federal regulation.

In November 2014, the FCC sought comment on ensuring that there is reliable backup power for VoIP services in the event of a power outage. In August 2015, the FCC adopted a new rule that, among other things, requires providers of facilities-based, fixed residential voice service that is not line-powered, such as TWC, to make available battery

backup solutions to voice customers for purchase. The new rule also imposes detailed point-of-sale and annual disclosure obligations regarding battery backup on TWC.

In November 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

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(PSTN), 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, these rules reduced the amount of intercarrier compensation that providers such as TWC could collect from long-distance carriers terminating calls to customers. In addition, 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. In November 2012, AT&T filed a petition with the FCC asking it to commence a proceeding to address the transition of the circuit-switched PSTN to an all IP network, including IP interconnection. The FCC sought comment on this petition as well as a related petition filed in November 2012 by representatives of some small incumbent telephone companies (RLECs) seeking USF funding for IP interconnection, and in January 2014, released an Order to implement certain IP Transition Trials. It is unclear whether and when the FCC or Congress will adopt further rules relating to IP interconnection or other regulation for IP 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 are subject 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.

Privacy and Security Regulation

Federal, state and local laws, regulations and ordinances impose requirements on how the Company handles personally identifiable and other information relating to consumers. Certain of these requirements are industry specific and regulate TWC because it is a cable operator, a telecommunications carrier (including as a provider of broadband Internet access service) and the operator of websites and mobile applications. Other requirements apply generally to all companies that hold consumer data or market to consumers using email or the telephone, including state data breach notification statutes. These notification laws generally require that a business give notice to its customers whose financial information has been disclosed because of a security breach. In addition, the Federal Trade Commission (the FTC) applies the identity theft red flag rules under the Fair and Accurate Credit Transactions Act of 2003, which are designed to detect the warnings signs of identity theft. In 2013, the SEC and the Commodity Futures Trading Commission jointly adopted similar identity theft red flag rules. TWC has a compliance program as required under these rules. A number of bills have been introduced in Congress regarding cybersecurity, data breach and consumer privacy, but the scope of such requirements, if passed, is unclear at this time.

TWC is also subject to state and federal laws restricting telemarketing and state and federal laws restricting unsolicited commercial emails. The FCC and FTC adopt regulations to implement such laws and may adopt new interpretations or requirements that increase TWC's compliance costs and subject TWC to increased liability risks. Additional and more restrictive requirements also may be imposed if and to the extent that state or local authorities establish their own privacy or security standards or if Congress enacts new privacy or security legislation.

Environmental Regulation

TWC's business operations are subject to environmental laws and regulations, including regulations governing the use, storage, disposal of, and exposure to, hazardous materials, the release of pollutants into the environment and the remediation of contamination. TWC is currently subject to an investigation by the California Attorney General and the Alameda County, California District Attorney regarding whether certain of TWC's waste disposal policies, procedures

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and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. For additional information about this investigation, see Note 17 to the accompanying consolidated financial statements. As a result of the increasing public awareness concerning the importance of environmental regulations, these regulations have become more stringent over time, and pending or proposed regulations, such as regulations addressing climate change concerns, including greenhouse gas emission limits or cap and trade programs, could impact TWC's operations and costs.

Other Federal Regulatory Requirements

Federal law also includes numerous other requirements applicable to some extent to TWC's business or one or more of TWC's services. These provisions apply to customer service, use of credit reports, 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. In addition, there are various rules prohibiting joint ownership of cable systems and other kinds of communications facilities. Relatedly, the FCC has sought to place limits on the number of (i) subscribers a cable operator may reach through systems in which it holds an ownership interest, and (ii) affiliated programming channels that a cable operator may carry on a cable system. The FCC also actively regulates other aspects of TWC's video services, including the mandatory blackout of syndicated and broadcast network programming; customer service standards; political advertising; indecent or obscene programming; Emergency Alert System requirements for analog and digital services; commercial restrictions on children's programming; recordkeeping and public file access requirements; and technical rules relating to operation of the cable network.

In addition, TWC's video, Internet access and voice services are subject to a number of requirements related to ensuring that the services are accessible to individuals with disabilities. Among other things, TWC's voice services and email service must be accessible to and usable by persons with disabilities. TWC also is required to include closed captioning on certain video programming delivered to its customers and pass through video description information on certain of its video services. In October 2013, pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010, the FCC began adopting updated rules mandating audible accessibility of on-screen text menus and guides on cable set-top boxes and requiring closed captioning to be more easily activated on those devices. The FCC has several ongoing proceedings regarding the quality of closed captioning, captioning of online clips and other related issues.

TWC is unable to predict how these various regulations might be amended in the future and whether and how any such changes might affect its business. In addition, while TWC believes that it is in substantial compliance with FCC and state regulations, it is occasionally subject to enforcement actions at the FCC, which can result in the payment of fines or the imposition of other agency sanctions.

TWE-A/N Partnership

TWE-A/N is a partnership that was formed in 1995 between Time Warner Entertainment Company, L.P. (TWE), a former subsidiary of TWC, and A/N, a partnership owned by 100% owned subsidiaries of Advance Publications and Newhouse Broadcasting Corporation. In connection with a TWC internal reorganization in September 2012, TWCE acquired TWE's and Time Warner NY Cable LLC's (TW NY Cable) general and preferred partnership interests in TWE-A/N. The general partnership interests in TWE-A/N are held by TWCE (the TW Partner) and A/N. The TW Partner also holds preferred partnership interests.

2002 restructuring of TWE-A/N. TWE-A/N was restructured in 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 located primarily in Florida (the A/N Systems) were transferred to a 100% owned subsidiary of TWE-A/N, Bright House Networks (the A/N Subsidiary). As part of the restructuring, effective August 1, 2002, A/N s interest in

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TWE-A/N was converted into an interest that tracks the economic performance of the A/N Systems, while the TW Partner retains 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.

Charter Transaction. On May 23, 2015, Charter and A/N and certain of their affiliates amended the Bright House Networks Agreement, which the parties had signed on March 31, 2015. Under the amended Bright House Networks Agreement, Charter will acquire Bright House Networks, subject to, among other conditions, the closing of the Charter merger. The closing of Charter's acquisition of Bright House Networks is expected to occur concurrently with the closing of the Charter merger. However, the closing of the Charter merger is not conditioned on the closing of the Bright House Networks transaction.

Management and operations of TWE-A/N. Subject to certain limited exceptions, TWCE 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. Following the September 30, 2012 internal reorganization, TWCE performs these functions pursuant to the services agreement. TWC receives a fee for providing the A/N Subsidiary with high-speed data services and the management functions noted above. These arrangements may be terminated by either party on 12 months' notice.

Restrictions on transfer - TW Partner. The TW Partner is generally permitted to directly or indirectly dispose of its entire partnership interest at any time to a 100% owned affiliate of TWCE. In addition, the TW Partner is also permitted to transfer its partnership interests through a pledge to secure a loan, or a liquidation of TWCE in which TWC, or its affiliates, receives a majority of the interests of TWE-A/N held by the TW Partner. TWCE is allowed to issue additional partnership interests in TWCE so long as TWC continues to own, directly or indirectly, either 35% or 43.75% of the residual equity capital of TWCE, 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 and termination rights of the partners. TWCE and A/N each has the right to cause TWE-A/N to be restructured at any time. 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 TWCE nor A/N has delivered notice of the intent to cause a restructuring of TWE-A/N.

TWCE's regular right of first offer. Subject to exceptions, A/N and its affiliates are obligated to grant TWC and TWCE a right of first offer prior to any sale of assets of the A/N Systems to a third party. In the Charter Merger Agreement, TWC and TWCE agreed to irrevocably and unconditionally waive their right of first offer to acquire the assets of Bright House Networks during the pendency of the Charter merger. This waiver will expire if the Charter Merger Agreement is terminated in accordance with its terms, provided that TWC or any of its Affiliates (as defined in the Charter Merger Agreement) does not, within nine months following such a termination, enter into an agreement or understanding in respect of, or consummate, an alternative acquisition transaction.

TWCE'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 TWCE stating that it wishes to transfer some or all of the assets of the A/N Systems, thereby granting TWCE 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

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determined, A/N has the right to terminate its offer to sell the specified assets. If A/N does not terminate its offer, TWCE 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 TWCE does not exercise 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 TWCE.

Item 1A. Risk Factors.

TWC faces a wide range of competition, and its business and financial results could be adversely affected if it does not compete effectively.

TWC faces significant competition, and the rapid development of new technologies, services and products has led to the entry of many new competitors that provide a broad range of communications products and services and entertainment, news and information content to consumers, further intensifying the competitive environment. Any inability to compete effectively could have an adverse effect on TWC's financial and operating 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 revenue. 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 regarding the competition faced by TWC, see Business Competition and Regulatory Matters.

TWC faces risks relating to competition for the leisure time and discretionary spending of audiences, which has intensified in part due to advances in technology and changes in consumer expectations and behavior.

In addition to the various competitive factors discussed above, TWC's business is subject to risks relating to increasing competition for the leisure time, shifting consumer needs and discretionary spending of consumers. TWC's business competes with all other sources of entertainment, news and information delivery, as well as a broad range of communications products and services. Technological advancements, such as new video formats and Internet streaming and downloading of programming that can be viewed on televisions, computers, smartphones and tablets, 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.

Newer products and services, particularly alternative methods for the distribution, sale and viewing of content will likely continue to be developed, further increasing the number of competitors that TWC's business faces. The increasing number of choices available to audiences, including low-cost or free choices, could negatively impact not only consumer demand for TWC's products and services, but also advertisers' willingness to purchase advertising from TWC. TWC's business competes for the sale of advertising revenue with television networks and stations, as well as other advertising platforms, such as radio, print and, increasingly, online media. TWC's failure to effectively anticipate or adapt to new technologies and changes in consumer expectations and behavior could significantly adversely affect TWC's competitive position and its business and results of operations.

An extended period of slow growth or a significant deterioration in the economy may negatively impact TWC's ability to attract new subscribers and generate increased revenue.

An extended period of slow growth or a significant deterioration in the economy could lead to reduced consumer demand for the Company's services, especially services for which additional charges are imposed, and to a continued increase in the number of homes that replace 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 revenue. In addition, providing video services is an established and highly penetrated business. TWC's ability to gain new video subscribers is

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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. In the absence of renewed growth in the number of occupied homes in TWC's operating areas, TWC's ability to gain new video subscribers may be negatively impacted. Weak economic conditions may also have a negative impact on the Company's advertising revenue.

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

TWC operates in a highly competitive, consumer-driven and rapidly changing environment. Its success is, to a large extent, dependent on its ability to acquire, develop, adopt, upgrade and exploit new and existing technologies to address consumers' changing demands and distinguish its services from those of its competitors. TWC may not be able to accurately predict technological trends or the success of new products and services. 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 some of TWC's competitors to 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 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 Company's ability and the costs to obtain intellectual property rights from third parties could impact TWC's ability to respond to technological advances in a timely and effective manner.

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 (including extreme weather), terrorist attacks, accidental releases of information or similar events, may disrupt TWC's business.

Network and information systems and other technologies are critical to TWC's operating activities, both to its internal uses, such as network management, and in supplying services to customers, including customer service operations and programming delivery. Network or information system shutdowns or other service disruptions caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, cyber attacks, process breakdowns, denial of service attacks and other malicious activity pose increasing risks.

Both unsuccessful and successful cyber attacks on companies have continued to increase in frequency, scope and potential harm in recent years. While TWC develops and maintains systems seeking to prevent systems-related events and security breaches from occurring, the development and maintenance of these systems is costly and requires ongoing monitoring and updating as techniques used in such attacks become more sophisticated and change frequently. TWC may be unable to anticipate these techniques or implement adequate preventative measures. Moreover, the amount and scope of insurance that TWC maintains against losses resulting from any such events or security breaches may not be sufficient to cover its losses or otherwise adequately compensate TWC for any disruptions to its business that may result. While from time to time attempts are made to access TWC's network, these attempts have not as yet resulted in any material release of information, degradation or disruption to the Company's network and information systems.

TWC's network and information systems are also vulnerable to damage or interruption from power outages, natural disasters (including extreme weather arising from short-term or any long-term changes in weather patterns), 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. 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. Further, the impacts associated with extreme weather or long-term changes in weather patterns, such as rising sea levels or increased and intensified storm activity,

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may cause increased business interruptions or may require the relocation of some of TWC's facilities. Significant incidents could result in a disruption of TWC's operations, customer dissatisfaction or a loss of customers or revenue.

Furthermore, TWC's operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in the information technology systems and networks of TWC and third-party vendors, including customer, personnel and vendor data. TWC provides certain confidential, proprietary and personal information to third parties in connection with its business, and there is a risk that this information may be compromised.

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 that process, store and transmit large amount of data, including personal information for its customers. 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 revenue. TWC could be subject to regulatory actions and claims made by consumers in private litigations involving privacy issues related to consumer data collection and use practices. TWC also could be required to expend significant capital and other resources to remedy any such security breach.

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. Also, because of the rapid pace of technological change, TWC both develops its own technologies, products and services and relies on technologies developed or licensed by third parties. 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. TWC may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms, if at all. In addition, 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 unsuccessful claims can be time-consuming and costly to defend and may divert management's attention and resources away from TWC's businesses. In recent years, the number of intellectual property infringement claims has been increasing in the communications and entertainment industries, and, with increasing frequency, TWC is party to litigation alleging that certain of its services or technologies infringe the intellectual property rights of others.

Adverse changes in the credit markets could increase TWC's borrowing costs and reduce the availability of financing.

As of December 31, 2015, TWC had net debt of \$21.332 billion. Adverse changes in the public credit markets, including increases in interest rates, could increase TWC's cost of borrowing and make it more difficult for TWC to obtain financing. In addition, TWC's borrowing costs may be affected by debt ratings assigned by independent ratings agencies that are based, in significant part, on TWC's leverage and its performance as measured by customary credit metrics. A decrease in these ratings would likely increase TWC's cost of borrowing and make it more difficult for TWC to obtain financing.

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 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

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triggering event. Under the accounting rules, the Company may elect to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If an impairment is more likely than not to have occurred, a quantitative assessment is required. If the quantitative assessment determines that 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 2015 annual impairment analysis, which was a qualitative assessment performed as of July 1, 2015, 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 reflect potential declines in fair value. See Management's Discussion and Analysis of Results of Operations and Financial Condition Critical Accounting Policies and Estimates Fair Value Estimates Indefinite-lived Intangible Assets and Goodwill.

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

Video programming and retransmission costs represent a major component of TWC's expenses. These costs are expected to continue to increase as the cost of obtaining desirable programming continues to increase. TWC's video programming costs as a percentage of video revenue 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 revenue. Such cost increases could have an adverse impact on TWC's financial results.

Furthermore, as TWC's contracts with content providers expire, there can be no assurance that they will be renewed on acceptable terms or that they will be renewed at all. TWC's failure to carry programming that is attractive to its subscribers could adversely impact TWC's subscriber levels, operations and financial results. In addition, if TWC's high-speed data subscribers are unable to access desirable content online because content providers block or limit access by TWC subscribers as a class, TWC's ability to gain and retain subscribers, especially high-speed data subscribers, may be negatively impacted.

TWC's business may be adversely affected if it fails to reach distribution agreements providing for carriage of the Lakers RSNs and SportsNet LA or if such agreements are on unfavorable terms.

TWC has entered into long-term contracts for certain sports programming rights, including a media rights agreement with the Los Angeles Lakers and a services agreement with American Media Productions, which owns SportsNet LA, a regional sports network that carries the Los Angeles Dodgers' baseball games and other sports programming. There can be no assurance that TWC will be successful in reaching agreements with other MVPDs to distribute sports programming for which TWC has distribution rights or responsibility for affiliate sales services or, if agreements are reached, that revenue from such agreements will exceed or sufficiently offset TWC's payments under the rights or services agreements, as well as the other costs TWC incurs in producing and distributing the programming pursuant to the terms of these agreements.

The Company may fail to complete the proposed merger with and into Charter and, even if the merger is successfully completed, the anticipated benefits to the Company's stockholders may not be realized.

On May 23, 2015, TWC entered into the Charter Merger Agreement with Charter and certain of its subsidiaries, pursuant to which the parties will engage in a series of transactions that will result in the Company and Charter becoming 100% owned subsidiaries of a new public parent company, on the terms and subject to the conditions set forth in the Charter Merger Agreement. The Company and Charter are subject to certain antitrust, competition and communications laws, and the proposed Charter merger is subject to review and approval, including review by the

Antitrust Division of the U.S. Department of Justice and the FCC and approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The proposed merger is also subject to a number of customary closing conditions. The Company or Charter may be unable to obtain the necessary approvals or otherwise satisfy the conditions required to complete the transaction on a timely basis or at all. The conditions to the proposed merger could prevent or delay the completion of the transaction.

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The protracted period during which the Company has been engaged in merger activity and the fact that the Company is the party to be acquired may make it difficult for the Company to motivate and retain employees. Also, there can be no assurance that regulators will approve the transaction. Regulators may impose conditions, terms, obligations or restrictions on the proposed merger that may have the effect of delaying or preventing its completion. Delays in the merger closing, including as a result of delays in obtaining regulatory approval, could divert attention from the Company's ongoing operations on the part of management and employees and adversely impact the Company. Failure to complete the proposed merger or an unanticipated delay for any reason could negatively impact the Company's ability to motivate and retain employees, its relationships with subscribers and customers, its stock price and its future business and financial results.

Furthermore, even in the event that the proposed merger is successfully completed, there can be no assurance that the anticipated benefits to the Company's stockholders will be realized if the businesses of the Company and Charter are not successfully integrated or the integration process results in a loss of or failure to attract, motivate or retain employees, the loss of subscribers and customers, the disruption to either the Company's or both companies' ongoing business or in unexpected integration issues, higher than expected integration costs or an overall post-completion integration process that takes longer than originally anticipated. Failure to complete or realize the benefits and cost savings of the merger could negatively impact the stock price and the future business and financial results of the combined company after the merger.

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

TWC depends on a limited number of 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 any of these parties breaches or terminates its agreement with TWC or otherwise fails to perform its obligations in a timely manner, 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, profitability, a change in their ownership or otherwise, TWC's ability to provide some services may be materially adversely affected. Also, as a result of the pending merger, parties with which TWC does business may experience uncertainty and may attempt to negotiate changes to existing agreements with TWC to the detriment of TWC. 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.

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 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.

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The upcoming broadcast television spectrum incentive auction creates uncertainty and could impose significant additional costs on TWC.

The broadcast television spectrum incentive auction is the first of its kind. The outcome of the auction is not yet known and, as a result, it is uncertain how the participation in the auction by broadcast television stations carried on TWC's systems, or the repacking process, will impact TWC, its carriage relationships, and its costs.

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. 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. See Business Regulatory Matters Video Services Program carriage. 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 regulation or legislation could limit TWC's ability to operate its business profitably and to manage its broadband facilities efficiently and could result in increased taxes and fees imposed on TWC.

The increasing popularity of bandwidth-intensive Internet-based services has increased the demand for and usage of TWC's high-speed data service. In order to continue to provide quality high-speed data service at attractive prices and to offer new services, 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. TWC's ability to do these things could be restricted by the FCC's net neutrality rules, its future regulatory treatment of specialized services or Internet traffic exchange and peering arrangements, and other regulatory or legislative efforts to regulate broadband Internet access service providers.

The FCC's reclassification of broadband Internet access services under Title II of the Communications Act subjects such services to significant new regulation, including the potential for rate regulation, although the Open Internet Order declines to impose such regulation and states that the FCC will not impose prescriptive, industry-wide rate regulation in the future. Such existing or any future additional regulation or legislation 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 new services and could negatively impact TWC's ability to compete effectively. Furthermore, such regulation or legislation could result in increased tax and related fee obligations for TWC and its broadband services, including the future imposition of federal and state universal service fee obligations on broadband. See Business Regulatory Matters High-speed Internet Access Services Net neutrality regulations.

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

Under current FCC regulations, rates for BST video service and associated equipment are permitted to be regulated in areas not subject to a finding of effective competition. In the overwhelming majority of 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 federal rate regulation for TWC's other services, including high-speed data and voice services. However, as noted above, under Title II of the Communications Act, the FCC could subject broadband Internet access services to rate regulation in the future. Should the FCC or Congress 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, such regulation could impede TWC's ability to raise rates or require rate reductions, and in turn could cause TWC's business, financial results or financial condition to suffer.

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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 the telecommunications rate on TWC when it carries services other than video services over its attachments. The appropriate method for calculating pole attachment rates for cable operators that also provide broadband Internet access services and VoIP services remains unclear. In November 2015, the FCC revised its pole attachment rules to, among other things, prevent pole owners from charging cable operators that also offer telecommunications services (including broadband Internet access service) pole attachment rates that exceed the cable rate, but such rules could be subject to administrative reconsideration or judicial review. In January 2014, the FCC sought comment on a petition regarding the legal classification of VoIP services for purposes of assessing pole attachment rates, and the petition 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 (as defined below) and state and local tax authorities may challenge the tax characterizations of the Adelfia Acquisition, the Redemptions and the Exchange (each 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 2006 acquisition by TW NY Cable Holding Inc. (TW NY) and Comcast of assets comprising in aggregate substantially all of the cable assets of Adelfia Communications Corporation (the Adelfia 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 and Comcast immediately after the Adelfia 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 these transactions), significantly increase TWC's future cash tax payments and significantly reduce TWC's future earnings and cash flow. The tax consequences of the Adelfia 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 Inc. for its taxes resulting from such disqualification, which would be significant.

As part of TWC's separation from Time Warner Inc. (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

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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 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 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, competitive position, 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 governing topics such as privacy and information security or environmental protection, including regulations in response to concerns about climate change or cybersecurity, among others. In addition, Congress considers new legislative requirements for cable operators virtually every year, and there is always a risk that such proposals will ultimately be enacted. 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.

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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, two national centers 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, earth stations for reception of satellite signals and terrestrial fiber interconnects. TWC's distribution system consists primarily of fiber optic and coaxial cables, lasers, routers, switches and related electronic equipment. TWC distributes video signals via the Company's video-specific infrastructure and increasingly over the Company's high-speed data infrastructure. 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 nationwide backbone consists of fiber owned by TWC or circuits leased from third-party vendors, and related equipment. TWC also operates data centers with equipment that is used to provide services, such as email, 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, 2015, TWC leased and owned real property housing national operations centers and data centers used in its high-speed data services business in Herndon, Virginia; Charlotte, North Carolina; Raleigh, North Carolina; Syracuse, New York; Austin, Texas; Kansas City, Missouri; Los Angeles, California; San Diego, 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, Inc., 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 offices 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.

The legal proceedings information set forth under "Commitments and Contingencies" in Note 17 to the accompanying consolidated financial statements included in this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

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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 12, 2016.

| | | |
|-------------------------|----|--|
| Ellen M. East | 54 | Executive Vice President and Chief Communications Officer |
| Dinesh C. Jain | 51 | Chief Operating Officer |
| Marc Lawrence-Apfelbaum | 60 | Executive Vice President, General Counsel and Secretary |
| Gail G. MacKinnon | 53 | Executive Vice President and Chief Government Relations Officer |
| Robert D. Marcus | 50 | Chairman and Chief Executive Officer |
| William F. Osbourn, Jr. | 51 | Senior Vice President, Controller and Chief Accounting Officer and Acting Co-Chief Financial Officer |
| Matthew Siegel | 53 | Senior Vice President and Treasurer and Acting Co-Chief Financial Officer |
| Peter C. Stern | 44 | Executive Vice President and Chief Product, People and Strategy Officer |

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

| | |
|------------------------|--|
| 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. |
| Mr. Jain | Dinesh C. Jain has served as the Company's Chief Operating Officer since January 2014. Mr. Jain has more than 20 years of experience in the U.S. and European cable and telecommunications industries. Most recently, Mr. Jain served as President and Chief Operating Officer of Insight Communications Company, Inc. (Insight), a cable company serving subscribers in Kentucky, Indiana and Ohio, from February 2006 until Insight's acquisition by the Company in February 2012. Prior to that, Mr. Jain served as Executive Vice President and Chief Operating Officer of Insight from October 2003 and Senior Vice President and Chief Financial Officer from 2002 to October 2003. From 1994 through 2002, he served in a number of roles in sales, marketing, customer service, strategy, corporate development and general management at NTL Incorporated, one of Europe's leading cable and telecommunications companies. He ultimately served as Deputy Managing Director of NTL's Consumer Division, overseeing customer and new business growth, as well as the quality of customer satisfaction. |
| 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 Time Warner Inc. 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., an entertainment company, from May 2000 following Viacom Inc.'s merger with CBS Corporation, a radio and television broadcasting company, where she served as Vice President, Federal Relations from 1997.

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|-------------|---|
| Mr. Marcus | Robert D. Marcus has served as the Company's Chairman and Chief Executive Officer since January 2014. Prior to that, Mr. Marcus served as the Company's President and Chief Operating Officer from December 2010, the Company's Senior Executive Vice President and Chief Financial Officer from January 2008 and 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 and as Vice President of Mergers and Acquisitions from 1998. |
| Mr. Osbourn | William F. Osbourn, Jr. has served as the Company's Senior Vice President, Controller and Chief Accounting Officer and Acting Co-Chief Financial Officer since June 1, 2015. Prior to that, Mr. Osbourn served as the Company's Senior Vice President, Controller and Chief Accounting Officer from 2008 and as Vice President of Technical Accounting from 2003. Mr. Osbourn joined the Company from Time Warner Inc. where he had served as Executive Director for External Financial Reporting and Accounting Policy from 2001. Prior to that, Mr. Osbourn spent fourteen years at PricewaterhouseCoopers LLP. |
| Mr. Siegel | Matthew Siegel has served as the Company's Senior Vice President and Treasurer and Acting Co-Chief Financial Officer since June 1, 2015. Prior to that, Mr. Siegel served as the Company's Senior Vice President and Treasurer from 2008. Mr. Siegel joined the Company from Time Warner Inc. where he had served as Vice President and Assistant Treasurer from 2001. Prior to that, Mr. Siegel served as Senior Vice President of Finance and Treasurer of Insight, which was acquired by the Company in 2012. |
| Mr. Stern | Peter C. Stern has served as the Company's Executive Vice President and Chief Product, People and Strategy Officer since July 2014. Prior to that, he served as the Company's Executive Vice President and Chief Strategy, People and Corporate Development Officer from October 2012, after serving as the Company's Executive Vice President and Chief Strategy Officer from March 2008, the Company's Executive Vice President of Product Management from 2005 and the Company's 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. |

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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, 2015, see "Quarterly Financial Information" at page 130 herein, which information is incorporated herein by reference. There were approximately 23,000 holders of record of TWC Common Stock as of February 12, 2016.

The Company paid a cash dividend of \$0.75 per share of TWC Common Stock in each quarter of 2014, which totaled \$857 million during 2014, and paid a cash dividend of \$0.75 per share of TWC Common Stock in each quarter of 2015, which totaled \$865 million during 2015. On December 17, 2015, the Company's Board of Directors declared a quarterly cash dividend of \$0.75 per share of TWC Common Stock, payable in cash on January 25, 2016 to stockholders of record at the close of business on January 4, 2016. 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

In February 2014, the Company suspended its common stock repurchase program (the "Stock Repurchase Program"). The Company did not purchase any equity securities registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the quarter ended December 31, 2015 and, as of December 31, 2015, the Company had \$2.723 billion remaining under the Stock Repurchase Program authorization.

Item 6. Selected Financial Data.

The selected financial information of TWC as of and for the five years ended December 31, 2015 is set forth at pages 128 through 129 herein and is incorporated herein by reference.

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

The information set forth under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" at pages 35 through 66 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 61 through 62 herein is incorporated herein by reference.

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 67 through 124 and 126 herein are incorporated herein by reference.

Quarterly Financial Information set forth at page 130 herein is incorporated herein by reference.

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

Not applicable.

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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 Acting Co-Chief Financial Officers, 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 Acting Co-Chief Financial Officers 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 125 and 127 herein 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, 2015 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

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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 2016 Annual Meeting of Stockholders pursuant to Regulation 14A or an amendment to this Annual Report, 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.twc.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, 2015 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) | 7,883,806 | \$ 75.83 | 8,263,859 |
| Equity compensation plans not approved by security holders | | | |

| | | | | |
|-------|-----------|----|-------|-----------|
| Total | 7,883,806 | \$ | 75.83 | 8,263,859 |
|-------|-----------|----|-------|-----------|

- (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 5,693,582 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.

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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 34 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 10.14 through 10.60 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.

By: /s/ ROBERT D. MARCUS
 Name: Robert D. Marcus
 Title: Chairman and Chief Executive
 Officer

Dated: February 12, 2016

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/ ROBERT D. MARCUS Robert D. Marcus | Chairman and Chief Executive Officer (principal executive officer) | February 12, 2016 |
| /S/ WILLIAM F. OSBOURN, JR. William F. Osbourn, Jr. | Senior Vice President, Controller and Chief Accounting Officer and Acting Co-Chief Financial Officer (principal accounting and financial officer) | February 12, 2016 |
| /S/ MATTHEW SIEGEL Matthew Siegel | Senior Vice President and Treasurer and Acting Co-Chief Financial Officer (principal financial officer) | February 12, 2016 |
| /S/ CAROLE BLACK Carole Black | Director | February 12, 2016 |
| /S/ THOMAS H. CASTRO Thomas H. Castro | Director | February 12, 2016 |
| /S/ DAVID C. CHANG | Director | February 12, 2016 |

| | | |
|----------------------------|----------|-------------------|
| David C. Chang | | |
| /S/ JAMES E. COPELAND, JR. | Director | February 12, 2016 |
| James E. Copeland, Jr. | | |
| /S/ PETER R. HAJE | Director | February 12, 2016 |
| Peter R. Haje | | |
| /S/ DONNA A. JAMES | Director | February 12, 2016 |
| Donna A. James | | |
| /S/ DON LOGAN | Director | February 12, 2016 |
| Don Logan | | |
| /S/ N.J. NICHOLAS, JR. | Director | February 12, 2016 |
| N.J. Nicholas, Jr. | | |
| /S/ WAYNE H. PACE | Director | February 12, 2016 |
| Wayne H. Pace | | |
| /S/ EDWARD D. SHIRLEY | Director | February 12, 2016 |
| Edward D. Shirley | | |
| /S/ JOHN E. SUNUNU | Director | February 12, 2016 |
| John E. Sununu | | |

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AND OTHER FINANCIAL INFORMATION**

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

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

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

Results of operations. This section provides an analysis of the Company's results of operations for the three years ended December 31, 2015. This analysis is presented on both a consolidated and reportable segment basis.

Financial condition and liquidity. This section provides an analysis of the Company's cash flows for the three years ended December 31, 2015, as well as a discussion of the Company's outstanding debt and commitments as of December 31, 2015. 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 and foreign currency exchange 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 were 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

subject 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, the Midwest (including Ohio, Kentucky and Wisconsin), Southern California (including Los Angeles) and Texas. TWC's mission is to connect its customers to the world simply, reliably and with superior service. As of December 31, 2015, TWC served approximately 15.9 million residential and business services customers who subscribed to one or more of its video, high-speed data and voice services. During 2015, TWC's revenue increased 3.9% to approximately \$23.7 billion.

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

Recent Developments

Charter Merger

On May 23, 2015, TWC entered into an Agreement and Plan of Mergers (the *Charter Merger Agreement*) with Charter Communications, Inc. (*Charter*) and certain of its subsidiaries, pursuant to which the parties will engage in a series of transactions (the *Charter merger*) that will result in the Company and Charter becoming 100% owned subsidiaries of a new public parent company (*New Charter*), on the terms and subject to the conditions set forth in the Charter Merger Agreement.

Upon the consummation of the Charter merger, each share of TWC common stock (other than treasury shares held by the Company and TWC stock held by the Liberty Parties (as defined below)) will be converted into the right to receive, at the option of each stockholder, either (i) \$100 in cash and shares of New Charter Class A common stock equivalent to 0.5409 shares of Charter Class A common stock (*Charter common stock*) or (ii) \$115 in cash and shares of New Charter Class A common stock equivalent to 0.4562 shares of Charter common stock. Upon the consummation of the Charter merger, subject to certain exceptions, each share of TWC common stock held by Liberty Broadband Corporation or Liberty Interactive Corporation (together, the *Liberty Parties*) will convert only into the right to receive shares of New Charter Class A common stock.

On September 21, 2015, the Company's stockholders approved the adoption of the Charter Merger Agreement, and Charter's stockholders approved, among other things, the adoption of the Charter Merger Agreement and the issuance of New Charter Class A common stock to TWC stockholders in the Charter merger. The Charter merger is subject to regulatory approvals and certain other closing conditions.

Bright House Networks Transaction

On May 23, 2015, Charter and Advance/Newhouse Partnership (*A/N*) and certain of their affiliates amended an agreement the parties had signed on March 31, 2015 (the *Bright House Networks Agreement*). Under the amended Bright House Networks Agreement, Charter will acquire Bright House Networks, LLC (*Bright House Networks*), subject to, among other conditions, the closing of the Charter merger. Bright House Networks is a 100% owned subsidiary of a partnership (*TWE-A/N*) between A/N and Time Warner Cable Enterprises LLC (*TWCE*), a subsidiary of TWC. The closing of Charter's acquisition of Bright House Networks is expected to occur concurrently with the closing of the Charter merger. However, the closing of the Charter merger is not conditioned on the closing of the Bright House Networks transaction.

In the Charter Merger Agreement, the Company and TWCE agreed to irrevocably and unconditionally waive their right of first offer to acquire the assets of Bright House Networks during the pendency of the Charter merger. This waiver will expire if the Charter Merger Agreement is terminated in accordance with its terms, provided that the Company or any of its Affiliates (as defined in the Charter Merger Agreement) does not, within nine months following such a termination, enter into an agreement or understanding in respect of, or consummate, an alternative

acquisition transaction. As discussed further in Financial Statement Presentation Reportable Segments Other Operations Segment, TWC receives a fee from A/N for providing Bright House Networks with high-speed data services and certain management functions, which is included in Other Operations revenue.

Termination of Comcast Merger

On April 24, 2015, Comcast Corporation (Comcast) and the Company terminated their February 12, 2014 Agreement and Plan of Merger, under which the Company had agreed, on the terms and subject to the conditions set forth therein, to merge with and into a 100% owned subsidiary of Comcast.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Reportable Segments

The Company has three reportable segments: Residential Services, Business Services and Other Operations, which have been determined based on how management evaluates and manages the business. For additional information about the components of each of the Company's reportable segments, as well as shared functions, refer to Financial Statement Presentation Reportable Segments, below.

Residential Services Segment

TWC offers video, high-speed data and voice services, as well as security and home management services, to residential customers. As of December 31, 2015, the Company served approximately 15.1 million residential services customers and, during 2015, TWC generated approximately \$19.0 billion of revenue from the provision of residential services, which represented 80.0% of TWC's total revenue.

TWC's video service provides over 300 channels (including, on average, over 200 high-definition (HD) channels) and 30,000 video-on-demand choices, an increasing subset of which consumers can watch on the device of their choosing, both inside and outside the home. TWC's high-speed data service is available in a range of speed (from up to 2 to up to 300 megabits per second (Mbps) downstream), price and monthly consumption (unlimited, 30 gigabyte (GB) and 5 GB) levels and, for most high-speed data customers, includes access to a nationwide network of nearly 500,000 WiFi hotspots along with communications and Internet security features. TWC's voice service provides unlimited calling throughout the U.S. and its territories and to Canada, Mexico, China, Hong Kong, India, Norway and the European Union and access to popular features in one simple package. TWC's IntelligentHome service provides residential customers with security and home management technology. The Company expects growth in Residential Services revenue in 2016 driven by an increase in customers and higher revenue per customer.

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

Business Services Segment

TWC offers a wide range of business high-speed data, networking, voice, video, hosting and cloud computing services. As of December 31, 2015, TWC served 752,000 business customers, including small and medium businesses; large enterprises; government, education and non-profit institutions; and telecommunications carriers. TWC offers these services to retail and wholesale businesses using its own network infrastructure and third-party infrastructure as required to meet customer needs.

During 2015, revenue from the provision of business services increased 15.7% to \$3.3 billion, which represented 13.9% of TWC's total revenue. The Company expects continued strong growth in Business Services revenue driven by

an increase in the number of customers (the result of continued penetration of buildings currently on its network and investment to connect new buildings to its network), higher wholesale access, growing product penetration, demand for higher-priced tiers of service and price increases. Given the large opportunity and TWC's still modest share in business services, the Company has established a target of growing Business Services to exceed \$5 billion in annual revenue by 2018.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Other Operations Segment

TWC's Other Operations segment principally consists of (i) Time Warner Cable Media (TWC Media), the advertising sales arm of TWC; (ii) the Company's regional sports networks that carry Los Angeles Lakers basketball games and other sports programming (Time Warner Cable SportsNet and Time Warner Cable Deportes and, collectively, the Lakers RSNs); (iii) the Company's local sports, news and lifestyle channels (e.g., Time Warner Cable News NY1); (iv) other operating revenue and costs, including those derived from A/N and home shopping network-related services; and (v) beginning in 2014, operating revenue and costs associated with SportsNet LA, a regional sports network carrying the Los Angeles Dodgers baseball games and other sports programming. During 2015, TWC generated revenue from Other Operations of \$1.7 billion.

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

Competition

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

Residential Services Segment

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

Business Services Segment

TWC faces intense competition as to each of its business services offerings. Its business high-speed data, networking and voice services face competition from a variety of providers, including incumbent local telephone companies. TWC's cell tower backhaul service also faces competition from traditional telephone companies as well as other

telecommunications carriers, such as metro and regional fiber-based carriers. TWC's business video service faces competition from direct broadcast satellite providers. TWC also competes with cloud, hosting and related service providers and application-service providers.

Other Operations Segment

TWC faces intense competition for advertising revenue across many different platforms and from a wide range of local and national competitors. Advertising competition has increased and will likely continue to increase as new formats seek to attract the same advertisers. TWC competes for advertising revenue against, among others, local broadcast

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

stations, national cable and broadcast networks, radio stations, print media and online advertising companies and content providers.

Financial Statement Presentation

Basis of Presentation

Reclassifications

Certain reclassifications have been made to the prior year financial information presented herein to conform to the current year presentation, including adoption of two recent accounting standards as further detailed in Note 2.

Recent Accounting Standards

See Note 2 to the accompanying consolidated financial statements for accounting standards adopted in 2015 and recently issued accounting standards yet to be adopted.

Consolidated

Revenue. The Company generates revenue from each of its reportable segments: Residential Services, Business Services and Other Operations, each of which is discussed below under Reportable Segments.

Operating costs and expenses

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

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

Technical operations. Technical operations costs consist of the costs incurred at the Residential Services, Business Services and Other Operations segments associated with the installation, repair and maintenance of the Company's

distribution plant. Costs primarily include employee-related costs and materials costs associated with non-capitalizable activities.

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

Other operating. Other operating costs consist of all other operating costs incurred at the Residential Services, Business Services and Other Operations segments that are not specifically identified above, including Residential Services and Business Services video franchise and other fees. Other operating costs also include operating costs associated with

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources). In addition, other operating costs include functions supporting more than one reportable segment that are centrally managed, including costs associated with facilities (e.g., rent, property taxes and utilities), network operations (e.g., employee costs associated with central engineering activities), vehicles and procurement.

Reportable Segments

The Company's segment results include intercompany transactions related to programming provided to the Residential Services and Business Services segments by the Lakers' RSNs, the Company's local sports, news and lifestyle channels and, beginning in 2014, SportsNet LA. These services are reflected as programming expense for the Residential Services and Business Services segments and as revenue for the Other Operations segment and are eliminated in consolidation. Additionally, the operating costs described above that are associated with broad corporate functions or functions supporting more than one reportable segment are recorded as shared functions and are not allocated to the reportable segments. As such, the reportable segment results reflect how management views such segments in assessing financial performance and allocating resources and are not necessarily indicative of the results of operations that each segment would have achieved had they operated as stand-alone entities during the periods presented.

Residential Services Segment

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

Video. Video revenue includes subscriber fees for the Company's various tiers or packages of video programming services generally distinguished from one another by the number and type of programming networks they include. Video revenue also includes related equipment rental charges, installation charges, broadcast and sports fees and fees collected on behalf of local franchising authorities and the Federal Communications Commission (the "FCC"). Additionally, video revenue includes revenue from the sale of premium networks, transactional video-on-demand (e.g., events and movies) and digital video recorder ("DVR") service.

High-speed data. High-speed data revenue primarily includes subscriber fees for the Company's high-speed data services and related equipment rental and installation charges. The Company offers multiple tiers of high-speed data services providing various service speeds, data usage levels and other attributes to meet the different needs of its subscribers. In addition, high-speed data revenue includes fees received from EarthLink,

LLC, whose online services are provided to some of TWC's customers.

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

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

Operating costs and expenses. Residential Services segment operating costs and expenses include the operating costs and expenses that management believes are necessary to assess the performance of and allocate resources to the Residential Services segment. Such costs include programming costs, sales and marketing costs, technical operations costs, customer care costs, video franchise and other fees and other operating costs (e.g., high-speed data connectivity

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TIME WARNER CABLE INC.

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

costs, voice network costs and bad debt expense). Employee costs directly attributable to the Residential Services segment are included within each operating cost and expense category as applicable. Operating costs and expenses exclude costs and expenses related to corporate functions and functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) and are not within the control of segment management.

Business Services Segment

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

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

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

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

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

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

Operating costs and expenses. Business Services segment operating costs and expenses include the operating costs and expenses that management believes are necessary to assess the performance of and allocate resources to the Business Services segment. Such costs are consistent with the operating costs and expense categories described above under Residential Services operating costs and expenses. Operating costs and expenses exclude costs and expenses related to corporate functions and functions supporting more than one reportable segment that are centrally managed

(e.g., facilities, network operations, vehicles and procurement) and are not within the control of segment management.

Other Operations Segment

Revenue

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

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Other. Other revenue primarily includes (i) fees received from distributors of the Lakers' RSNs; (ii) fees paid to TWC (totaling \$147 million, \$143 million and \$138 million in 2015, 2014 and 2013, respectively) primarily by A/N for (a) the ability to distribute the Company's high-speed data service and (b) TWC's management of certain functions, including, among others, the acquisition of programming rights, as well as the provision of certain functions, including engineering; (iii) home shopping network-related revenue (including commissions earned on the sale of merchandise and carriage fees); and (iv) beginning in 2014, fees received from distributors of SportsNet LA. Other revenue also includes intercompany revenue from the Residential Services and Business Services segments for programming provided by the Lakers' RSNs, the Company's local sports, news and lifestyle channels and SportsNet LA.

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

Shared Functions

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

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

Use of Operating Income before Depreciation and Amortization

In discussing its segment performance, the Company may use certain measures that are not calculated and presented in accordance with U.S. generally accepted accounting principles (GAAP). These measures include Operating Income before Depreciation and Amortization (OIBDA), which the Company defines as Operating Income before depreciation of tangible assets and amortization of intangible assets. For additional information regarding the use of segment OIBDA, see Note 16 to the accompanying consolidated financial statements.

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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.

Consolidated Results

The consolidated financial results for the Company for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|--|-------------------------|---------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Revenue: | | | | | |
| Residential services | \$ 18,966 | \$ 18,446 | \$ 18,402 | 2.8% | 0.2% |
| Business services | 3,284 | 2,838 | 2,312 | 15.7% | 22.8% |
| Other | 1,447 | 1,528 | 1,406 | (5.3%) | 8.7% |
| Total revenue | 23,697 | 22,812 | 22,120 | 3.9% | 3.1% |
| Costs and expenses: | | | | | |
| Programming and content | 5,815 | 5,294 | 4,950 | 9.8% | 6.9% |
| Sales and marketing ^(a) | 2,379 | 2,192 | 2,048 | 8.5% | 7.0% |
| Technical operations ^(a) | 1,669 | 1,530 | 1,500 | 9.1% | 2.0% |
| Customer care ^(a) | 900 | 839 | 766 | 7.3% | 9.5% |
| Other operating ^(a) | 4,796 | 4,729 | 4,876 | 1.4% | (3.0%) |
| Depreciation | 3,560 | 3,236 | 3,155 | 10.0% | 2.6% |
| Amortization | 136 | 135 | 126 | 0.7% | 7.1% |
| Merger-related and restructuring costs | 203 | 225 | 119 | (9.8%) | 89.1% |
| Total costs and expenses | 19,458 | 18,180 | 17,540 | 7.0% | 3.6% |
| Operating Income | 4,239 | 4,632 | 4,580 | (8.5%) | 1.1% |
| Interest expense, net | (1,401) | (1,419) | (1,552) | (1.3%) | (8.6%) |
| Other income, net | 150 | 35 | 11 | 328.6% | 218.2% |
| Income before income taxes | 2,988 | 3,248 | 3,039 | (8.0%) | 6.9% |
| Income tax provision | (1,144) | (1,217) | (1,085) | (6.0%) | 12.2% |
| Net income | 1,844 | 2,031 | 1,954 | (9.2%) | 3.9% |

Less: Net income attributable to noncontrolling interests NM NM

| | | | | | |
|---|----------|----------|----------|--------|------|
| Net income attributable to TWC shareholders | \$ 1,844 | \$ 2,031 | \$ 1,954 | (9.2%) | 3.9% |
|---|----------|----------|----------|--------|------|

NM Not meaningful.

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

| | Year Ended December 31, | | | % Change | |
|----------------|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Employee costs | \$ 5,370 | \$ 4,990 | \$ 4,860 | 7.6% | 2.7% |

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

Revenue. The increase in revenue for 2015 was due to increases in revenue at the Residential Services and Business Services segments, partially offset by a decrease at the Other Operations segment.

The increase in revenue for 2014 was due to increases in revenue at all segments. Compared to 2013, revenue in 2014 includes \$116 million of revenue from DukeNet Communications, LLC (DukeNet), which was acquired on December 31, 2013.

Revenue by segment, including the amounts attributable to acquisitions, is discussed in greater detail below in Segment Results.

Costs and expenses

Operating costs and expenses. The increase in operating costs and expenses in 2015 was primarily due to increases in programming, employee and maintenance costs, as well as higher content costs associated with SportsNet LA, partially offset by a decline in bad debt expense. The increase in employee costs reflects the Company's continued investments in sales and marketing, technical operations and customer care initiatives and an increase in pension expense of \$108 million.

The increase in operating costs and expenses in 2014 was primarily due to increases in programming costs, SportsNet LA content costs, employee costs, maintenance costs and costs associated with advertising inventory sold on behalf of other video distributors (ad rep agreements), partially offset by a decrease in voice costs. The increase in employee costs reflects the Company's continued investments in sales and marketing, technical operations and customer care initiatives, partially offset by a \$124 million decrease in pension expense.

Operating costs and expenses by segment are discussed in greater detail below in Segment Results.

Depreciation. The increase in depreciation in 2015 was primarily due to the continued investment in customer premise equipment and scalable infrastructure, as well as shorter-lived capitalized software assets.

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

Amortization. Amortization increased in 2014 primarily as a result of DukeNet costs associated with its customer relationship intangible assets.

Merger-related and restructuring costs. Merger-related costs for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | |
|-----------------------------|--------------------------------|---------------|--------------|
| | 2015 | 2014 | 2013 |
| Charter merger: | | | |
| Employee retention costs | \$ 84 | \$ | \$ |
| Advisory and legal fees | 62 | | |
| Comcast merger: | | | |
| Employee retention costs | 27 | 121 | |
| Advisory and legal fees | 10 | 74 | |
| Other acquisitions | | 3 | 13 |
| Merger-related costs | \$ 183 | \$ 198 | \$ 13 |

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The Company expects to incur additional merger-related costs in connection with the Charter merger through the closing of the merger.

The Company incurred restructuring costs of \$20 million during 2015 compared to \$27 million in 2014 and \$106 million in 2013. These restructuring costs were primarily related to employee terminations and other exit costs. The Company expects to incur additional restructuring costs during 2016.

Operating Income. Operating Income decreased in 2015 primarily due to higher operating costs and expenses and depreciation, partially offset by growth in revenue, as discussed above.

Operating Income increased in 2014 primarily due to growth in revenue, partially offset by higher operating costs and expenses, merger-related and restructuring costs and depreciation, as discussed above.

Interest expense, net. The decrease in interest expense, net, in 2015 was primarily due to lower average debt outstanding during the periods as compared to 2014, partially offset by an increase in average interest rates on such debt.

Interest expense, net, decreased in 2014 primarily due to lower average fixed-rate debt outstanding during the periods as compared to the prior year.

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

| | Year Ended December 31, | | |
|--|-------------------------|-------|-------|
| | 2015 | 2014 | 2013 |
| Income from equity-method investments, net | \$ 28 | \$ 33 | \$ 19 |
| Gain on settlement of Verizon Wireless agency agreement ^(a) | 120 | | |
| Gain (loss) on equity award reimbursement obligation to Time Warner Inc. | | 1 | (10) |
| Other | 2 | 1 | 2 |
| Other income, net | \$ 150 | \$ 35 | \$ 11 |

^(a) In 2011, in conjunction with SpectrumCo, LLC's (a joint venture between TWC, Comcast and Bright House Networks) entry into an agreement to sell its advanced wireless spectrum licenses to Cellco Partnership (doing

business as Verizon Wireless), TWC and Verizon Wireless entered into agency agreements that allowed TWC to sell Verizon Wireless-branded wireless service, and Verizon Wireless to sell TWC services. Amount represents the settlement of certain terms of the agency agreements in 2015.

Income tax provision. In 2015, 2014 and 2013, the Company recorded income tax provisions of \$1.144 billion, \$1.217 billion and \$1.085 billion, respectively. The effective tax rates were 38.3%, 37.5% and 35.7% for 2015, 2014 and 2013, respectively.

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

The income tax provision and effective tax rate for 2013 include (i) a benefit of \$77 million primarily related to changes in the tax rate applied to calculate the Company's net deferred income tax liability as a result of changes to state tax apportionment factors and (ii) a benefit of \$27 million resulting from income tax reform legislation enacted in North Carolina, which, along with other changes, phases in a reduction in North Carolina's corporate income tax rate over several years.

Absent the impacts of the above items, the effective tax rates would have been 38.3%, 38.2% and 39.1% for 2015, 2014 and 2013, respectively.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

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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 2015, 2014 and 2013 (in millions, except per share data):

| | Year Ended December 31, | | | % Change | |
|--|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Net income attributable to TWC shareholders | \$ 1,844 | \$ 2,031 | \$ 1,954 | (9.2%) | 3.9% |
| Net income per common share attributable to TWC common shareholders: | | | | | |
| Basic | \$ 6.46 | \$ 7.21 | \$ 6.76 | (10.4%) | 6.7% |
| Diluted | \$ 6.44 | \$ 7.17 | \$ 6.70 | (10.2%) | 7.0% |

Net income attributable to TWC shareholders decreased in 2015 primarily due to a decrease in Operating Income, partially offset by an increase in other income, net, which included a gain from the settlement of a Verizon Wireless agency agreement, and a decrease in income tax provision.

Net income attributable to TWC shareholders increased in 2014 primarily due to a decrease in interest expense, net, and an increase in Operating Income, partially offset by an increase in income tax provision. Net income per common share attributable to TWC common shareholders for 2014 benefited from lower average common shares outstanding as a result of share repurchases under the Company's common stock repurchase program (the Stock Repurchase Program), which was suspended in February 2014.

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

Segment Results

Residential Services. The financial results of the Residential Services segment for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|---|-------------------------|-----------------|-----------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Revenue: | | | | | |
| Video | \$ 9,907 | \$ 10,002 | \$ 10,481 | (0.9%) | (4.6%) |
| High-speed data | 7,029 | 6,428 | 5,822 | 9.3% | 10.4% |
| Voice | 1,931 | 1,932 | 2,027 | (0.1%) | (4.7%) |
| Other | 99 | 84 | 72 | 17.9% | 16.7% |
| Total revenue | 18,966 | 18,446 | 18,402 | 2.8% | 0.2% |
| Operating costs and expenses: | | | | | |
| Programming | 5,511 | 5,075 | 4,845 | 8.6% | 4.7% |
| Sales and marketing ^(a) | 1,573 | 1,470 | 1,396 | 7.0% | 5.3% |
| Technical operations ^(a) | 1,482 | 1,379 | 1,370 | 7.5% | 0.7% |
| Customer care ^(a) | 749 | 705 | 655 | 6.2% | 7.6% |
| Video franchise and other fees ^(b) | 458 | 464 | 484 | (1.3%) | (4.1%) |
| Other ^(a) | 704 | 730 | 964 | (3.6%) | (24.3%) |
| Total operating costs and expenses | 10,477 | 9,823 | 9,714 | 6.7% | 1.1% |
| OIBDA | \$ 8,489 | \$ 8,623 | \$ 8,688 | (1.6%) | (0.7%) |

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

| | Year Ended December 31, | | | % Change | |
|----------------|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Employee costs | \$ 2,965 | \$ 2,743 | \$ 2,633 | 8.1% | 4.2% |

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

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

Selected residential subscriber-related statistics as of December 31, 2015, 2014 and 2013 were as follows (in thousands):

| | 2015 | December 31, 2014 ^(a) | 2013 | % Change | |
|---------------------------------------|--------|-------------------------------------|--------|---------------|---------------|
| | | | | 2015 vs. 2014 | 2014 vs. 2013 |
| Video ^(b) | 10,821 | 10,789 | 11,197 | 0.3% | (3.6%) |
| High-speed data ^(c) | 12,675 | 11,675 | 11,089 | 8.6% | 5.3% |
| Voice ^(d) | 6,320 | 5,284 | 4,806 | 19.6% | 9.9% |
| Single play ^(e) | 5,752 | 5,630 | 5,660 | 2.2% | (0.5%) |
| Double play ^(f) | 4,067 | 4,525 | 4,741 | (10.1%) | (4.6%) |
| Triple play ^(g) | 5,310 | 4,356 | 3,983 | 21.9% | 9.4% |
| Customer relationships ^(h) | 15,129 | 14,511 | 14,384 | 4.3% | 0.9% |

(a) The Company's subscriber numbers as of December 31, 2014 reflect adjustments related to the treatment of employee accounts recorded during the second quarter of 2014 that decreased residential high-speed data subscribers by 10,000, residential voice subscribers by 17,000, residential single play subscribers by 19,000, residential double play subscribers by 4,000 and residential customer relationships by 23,000.

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

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

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

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

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

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

(h)

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

Revenue. Residential Services segment revenue increased in 2015 compared to 2014 primarily due to an increase in high-speed data revenue, partially offset by a decrease in video revenue, each of which is discussed further below.

Residential Services segment revenue increased in 2014 compared to 2013 primarily due to an increase in high-speed data revenue, partially offset by decreases in video and voice revenue, each of which is discussed further below.

Average monthly revenue per unit for the Residential Services segment for 2015, 2014 and 2013 was as follows:

| | Year Ended December 31, | | | % Change | |
|--------------------------------------|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Video ^(a) | \$ 76.54 | \$ 75.85 | \$ 74.90 | 0.9% | 1.3% |
| High-speed data ^(b) | 48.11 | 46.95 | 43.92 | 2.5% | 6.9% |
| Voice ^(c) | 27.56 | 32.35 | 34.40 | (14.8%) | (6.0%) |
| Customer relationship ^(d) | 106.77 | 106.24 | 105.28 | 0.5% | 0.9% |

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

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

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

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

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Video. The major components of residential video revenue for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|---|-------------------------|------------------|------------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Programming tiers ^(a) | \$ 6,308 | \$ 6,497 | \$ 6,825 | (2.9%) | (4.8%) |
| Premium networks | 859 | 811 | 772 | 5.9% | 5.1% |
| Transactional video-on-demand | 241 | 221 | 259 | 9.0% | (14.7%) |
| Video equipment rental and installation charges | 1,432 | 1,375 | 1,444 | 4.1% | (4.8%) |
| DVR service | 609 | 634 | 697 | (3.9%) | (9.0%) |
| Franchise and other fees ^(b) | 458 | 464 | 484 | (1.3%) | (4.1%) |
| Total | \$ 9,907 | \$ 10,002 | \$ 10,481 | (0.9%) | (4.6%) |

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

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

The decrease in residential video revenue in 2015 was due to a decline in average video subscribers, partially offset by an increase in average revenue per subscriber. The increase in average revenue per subscriber was primarily the result of growth in video equipment rental and premium network revenue and higher transactional video-on-demand revenue (including the May 2015 Mayweather vs. Pacquiao fight), partially offset by lower programming tier revenue.

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

High-speed data. Residential high-speed data revenue increased in 2015 due to an increase in high-speed data subscribers and growth in average revenue per subscriber. The increase in average revenue per subscriber was primarily due to increases in prices and equipment rental charges and a greater percentage of subscribers purchasing higher-priced tiers of service.

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

Voice. Residential voice revenue was essentially flat in 2015 as a decrease in average revenue per subscriber was offset by growth in voice subscribers.

The decrease in residential voice revenue in 2014 was due to a decrease in average revenue per subscriber, partially offset by growth in voice subscribers.

Operating costs and expenses. Operating costs and expenses increased in 2015 due to higher programming, sales and marketing, technical operations and customer care costs, partially offset by a decrease in other operating costs. Employee costs (which are included in each category, as applicable) were impacted by increased pension costs of \$58 million in 2015.

Operating costs and expenses increased in 2014 primarily due to increases in programming costs, sales and marketing costs and customer care costs, partially offset by a decline in other operating costs. Employee costs were impacted by a \$64 million decrease in pension costs in 2014.

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Selected Residential Services average monthly costs per subscriber for 2015, 2014 and 2013 were as follows:

| | Year Ended December 31, | | | % Change | |
|--|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Programming costs per video subscriber | \$ 42.58 | \$ 38.49 | \$ 34.63 | 10.6% | 11.1% |
| Voice costs per voice subscriber | \$ 3.57 | \$ 4.23 | \$ 7.96 | (15.6%) | (46.9%) |

Programming. The increase in programming costs (which include intercompany expense from the Other Operations segment for programming costs associated with the Lakers RSNs, SportsNet LA and the Company's local sports, news and lifestyle channels) in 2015 was primarily due to contractual rate increases and the carriage of new networks (including SportsNet LA, which launched on February 25, 2014), partially offset by a decline in average video subscribers.

The increase in programming costs in 2014 was primarily due to contractual rate increases and the carriage of SportsNet LA, partially offset by a decline in average video subscribers and lower transactional video-on-demand costs. For 2013, programming costs were reduced by approximately \$20 million due to changes in cost estimates for programming services primarily resulting from contract negotiations, changes in programming audit reserves and certain contract settlements.

Sales and marketing. Sales and marketing costs increased in 2015 primarily due to increased sales-related employee costs as a result of increased headcount and higher compensation costs per employee related to the Company's subscriber growth initiatives, as well as higher pension expense.

Sales and marketing costs increased in 2014 primarily due to sales and retention headcount growth and higher compensation costs per employee, partially offset by lower pension expense.

Technical operations. Technical operations costs increased in 2015 primarily due to increased headcount and maintenance and installation-related activities (reflecting subscriber growth and the Company's continued investments to improve the customer experience), as well as higher pension expense.

Technical operations costs increased in 2014 primarily due to increased maintenance costs, higher compensation costs per employee and headcount growth, each of which reflected the Company's continued investments to improve the customer experience. These increases were partially offset by lower pension expense.

Customer care. Customer care costs increased in 2015 primarily due to increased headcount and higher compensation costs per employee (reflecting subscriber growth and the Company's continued investments to improve the customer experience).

Customer care costs increased in 2014 primarily due to headcount growth and increased call volume, reflecting the Company's continued investments to improve the customer experience.

Other operating. Other operating costs decreased in 2015 primarily due to lower bad debt expense, partially offset by increases in a number of other categories.

Other operating costs decreased in 2014 primarily due to declines in voice costs and bad debt expense. Voice costs decreased \$216 million in 2014, primarily due to a decrease in delivery costs per subscriber as a result of the in-sourcing of voice transport, switching and interconnection services from Sprint Corporation (which was completed during the first quarter of 2014).

OIBDA. OIBDA decreased in 2015 and 2014 primarily due to higher operating costs and expenses, partially offset by the increase in revenue, as discussed above.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
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Business Services. The financial results of the Business Services segment for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|---|-------------------------|-----------------|-----------------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Revenue: | | | | | |
| Video | \$ 385 | \$ 365 | \$ 347 | 5.5% | 5.2% |
| High-speed data | 1,609 | 1,341 | 1,099 | 20.0% | 22.0% |
| Voice | 599 | 511 | 421 | 17.2% | 21.4% |
| Wholesale transport | 491 | 415 | 251 | 18.3% | 65.3% |
| Other | 200 | 206 | 194 | (2.9%) | 6.2% |
| Total revenue | 3,284 | 2,838 | 2,312 | 15.7% | 22.8% |
| Operating costs and expenses: | | | | | |
| Programming | 181 | 152 | 133 | 19.1% | 14.3% |
| Sales and marketing ^(a) | 596 | 515 | 449 | 15.7% | 14.7% |
| Technical operations ^(a) | 138 | 101 | 81 | 36.6% | 24.7% |
| Customer care ^(a) | 151 | 134 | 111 | 12.7% | 20.7% |
| Video franchise and other fees ^(b) | 17 | 16 | 16 | 6.3% | |
| Other ^(a) | 214 | 201 | 171 | 6.5% | 17.5% |
| Total operating costs and expenses | 1,297 | 1,119 | 961 | 15.9% | 16.4% |
| OIBDA | \$ 1,987 | \$ 1,719 | \$ 1,351 | 15.6% | 27.2% |

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

| | Year Ended December 31, | | | % Change | |
|----------------|-------------------------|--------|--------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Employee costs | \$ 753 | \$ 643 | \$ 551 | 17.1% | 16.7% |

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

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

Selected business subscriber-related statistics as of December 31, 2015, 2014 and 2013 were as follows (in thousands):

| | 2015 | December 31, 2014 | 2013 | % Change | |
|---------------------------------------|------|----------------------|------|---------------|---------------|
| | | | | 2015 vs. 2014 | 2014 vs. 2013 |
| Video ^(a) | 214 | 203 | 196 | 5.4% | 3.6% |
| High-speed data ^(b) | 638 | 578 | 517 | 10.4% | 11.8% |
| Voice ^(c) | 375 | 323 | 275 | 16.1% | 17.5% |
| Single play ^(d) | 362 | 346 | 327 | 4.6% | 5.8% |
| Double play ^(e) | 305 | 265 | 230 | 15.1% | 15.2% |
| Triple play ^(f) | 85 | 76 | 67 | 11.8% | 13.4% |
| Customer relationships ^(g) | 752 | 687 | 624 | 9.5% | 10.1% |

- (a) Video subscriber numbers reflect billable subscribers who purchase at least the basic service video programming tier. The determination of whether a video subscriber is categorized as residential or business is based on the type of subscriber purchasing the service.
- (b) High-speed data subscriber numbers reflect billable subscribers who purchase any of the high-speed data services offered by TWC. The determination of whether a high-speed data subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.
- (c) Voice subscriber numbers reflect billable subscribers who purchase an IP-based telephony service. The determination of whether a voice subscriber is categorized as residential or business is generally based upon the type of service provided to that subscriber.
- (d) Single play subscriber numbers reflect customers who subscribe to one of the Company's video, high-speed data and voice services.
- (e) Double play subscriber numbers reflect customers who subscribe to two of the Company's video, high-speed data and voice services.
- (f) Triple play subscriber numbers reflect customers who subscribe to all three of the Company's video, high-speed data and voice services.
- (g) Customer relationships represent the number of subscribers who purchase at least one of the Company's video, high-speed data and voice services. For example, a subscriber who purchases only high-speed data service and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship.

Revenue. Business Services revenue increased in 2015 primarily due to growth in high-speed data and voice subscribers and higher wholesale transport revenue. The growth in wholesale transport revenue included an increase in cell tower backhaul revenue of \$39 million.

Business Services revenue in 2014 included DukeNet revenue of \$116 million (the majority of which is included in wholesale transport). Excluding the impact of DukeNet, Business Services revenue increased in 2014 primarily due to growth in high-speed data and voice subscribers and an increase in cell tower backhaul revenue of \$40 million.

Operating costs and expenses. Operating costs and expenses increased in 2015 primarily as a result of increased headcount and higher compensation costs per employee, as well as growth in programming and marketing costs.

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

OIBDA. OIBDA increased in 2015 and 2014 primarily due to the increase in revenue, partially offset by higher operating costs and expenses, as discussed above.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Other Operations. The financial results of the Other Operations segment for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|---|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Revenue: | | | | | |
| Advertising | \$ 1,028 | \$ 1,127 | \$ 1,019 | (8.8%) | 10.6% |
| Other | 682 | 645 | 583 | 5.7% | 10.6% |
| Total revenue | 1,710 | 1,772 | 1,602 | (3.5%) | 10.6% |
| Operating costs and expenses ^(a) | 1,045 | 985 | 769 | 6.1% | 28.1% |
| OIBDA | \$ 665 | \$ 787 | \$ 833 | (15.5%) | (5.5%) |

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

| | Year Ended December 31, | | | % Change | |
|----------------|-------------------------|--------|--------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Employee costs | \$ 331 | \$ 322 | \$ 320 | 2.8% | 0.6% |

Revenue

Advertising. Advertising revenue decreased in 2015 primarily due to a decrease in political advertising revenue, which was \$18 million in 2015 compared to \$113 million in 2014. The Company expects advertising revenue in 2016 to increase compared to 2015 due to a cyclical increase in political advertising revenue.

Advertising revenue increased in 2014 primarily due to growth in political advertising revenue, as well as higher non-political revenue from ad rep agreements. Political advertising revenue was \$113 million in 2014 compared to \$28 million in 2013.

Other. Other revenue increased in 2015 primarily due to affiliate fees from the Residential Services segment as well as other distributors of the Lakers RSNs and SportsNet LA. The Company continues to seek additional distribution agreements for the carriage of SportsNet LA by major distributors.

Other revenue increased in 2014 primarily due to affiliate fees from the Residential Services segment as well as other distributors of the Lakers RSNs.

Operating costs and expenses. Operating costs and expenses increased in 2015 primarily as a result of higher content costs associated with SportsNet LA.

Operating costs and expenses increased in 2014 primarily related to SportsNet LA content costs and growth in costs associated with ad rep agreements.

OIBDA. OIBDA decreased in 2015 due to a decline in revenue and an increase in operating costs and expenses, as discussed above. OIBDA decreased in 2014 due to an increase in operating costs and expenses, partially offset by higher revenue, as discussed above.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Shared Functions. Costs and expenses associated with the Company's shared functions, which consist of operating costs associated with broad corporate functions (e.g., accounting and finance, information technology, executive management, legal and human resources) or functions supporting more than one reportable segment that are centrally managed (e.g., facilities, network operations, vehicles and procurement) as well as other activities not directly attributable to a reportable segment, for 2015, 2014 and 2013 were as follows (in millions):

| | Year Ended December 31, | | | % Change | |
|---|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Operating costs and expenses ^(a) | \$ 3,003 | \$ 2,901 | \$ 2,892 | 3.5% | 0.3% |
| Merger-related and restructuring costs | 203 | 225 | 119 | (9.8%) | 89.1% |
| Total costs and expenses | \$ 3,206 | \$ 3,126 | \$ 3,011 | 2.6% | 3.8% |

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

| | Year Ended December 31, | | | % Change | |
|----------------|-------------------------|----------|----------|---------------|---------------|
| | 2015 | 2014 | 2013 | 2015 vs. 2014 | 2014 vs. 2013 |
| Employee costs | \$ 1,321 | \$ 1,282 | \$ 1,356 | 3.0% | (5.5%) |

Operating costs and expenses. Operating costs and expenses increased in 2015 primarily due to increased maintenance expense, higher compensation costs per employee and an increase in insurance expense, partially offset by lower costs as a result of operating efficiencies. Additionally, pension costs increased \$27 million in 2015.

Operating costs and expenses increased slightly in 2014 primarily due to increased maintenance expense, partially offset by lower costs as a result of operating efficiencies, including decreased headcount. Additionally, pension costs decreased \$38 million in 2014.

Merger-related and restructuring costs. Refer to Consolidated Results Costs and expenses Merger-related and restructuring costs for detail of merger-related and restructuring costs in 2015, 2014 and 2013. The Company expects to incur additional merger-related costs in connection with the Charter merger through the closing of the merger, as well as additional restructuring costs during 2016.

FINANCIAL CONDITION AND LIQUIDITY

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

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

TWC's unused committed financial capacity was \$4.607 billion as of December 31, 2015, reflecting \$1.170 billion of cash and equivalents and \$3.437 billion of available borrowing capacity under the Revolving Credit Facility.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Current Financial Condition

As of December 31, 2015, the Company had \$22.502 billion of debt, \$1.170 billion of cash and equivalents (net debt of \$21.332 billion, defined as total debt less cash and equivalents) and \$8.995 billion of total TWC shareholders equity. As of December 31, 2014, the Company had \$23.621 billion of debt, \$707 million of cash and equivalents (net debt of \$22.914 billion) and \$8.013 billion of total TWC shareholders equity.

The following table shows the significant items contributing to the change in net debt from December 31, 2014 to December 31, 2015 (in millions):

| | |
|--|------------------|
| Balance as of December 31, 2014 (recast) | \$ 22,914 |
| Cash provided by operating activities | (6,539) |
| Capital expenditures | 4,446 |
| Dividends paid | 865 |
| Proceeds from exercise of stock options | (129) |
| Proceeds from settlement of Verizon Wireless agency agreement | (120) |
| Impact of the change in exchange rates on foreign currency denominated debt ^(a) | (107) |
| All other, net | 2 |
| Balance as of December 31, 2015 | \$ 21,332 |

^(a) As discussed further in Note 10 to the accompanying consolidated financial statements, the Company has entered into cross-currency swaps to effectively convert its £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt.

On December 17, 2015, TWC's Board of Directors (TWC's Board) declared a quarterly cash dividend of \$0.75 per share of TWC common stock, payable in cash on January 25, 2016 to stockholders of record at the close of business on January 4, 2016.

Cash Flows

Cash and equivalents increased \$463 million and \$182 million in 2015 and 2014, respectively, and decreased \$2.779 billion in 2013. Components of these changes are discussed below in more detail.

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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, | | |
|---|-------------------------|----------|----------|
| | 2015 | 2014 | 2013 |
| Operating Income | \$ 4,239 | \$ 4,632 | \$ 4,580 |
| Depreciation | 3,560 | 3,236 | 3,155 |
| Amortization | 136 | 135 | 126 |
| Noncash equity-based compensation | 161 | 182 | 128 |
| Cash paid for interest, net ^(a) | (1,382) | (1,435) | (1,576) |
| Cash paid for income taxes, net ^(b) | (453) | (352) | (696) |
| All other, net, including working capital changes | 278 | (48) | 36 |
| Cash provided by operating activities | \$ 6,539 | \$ 6,350 | \$ 5,753 |

(a) Amounts include interest income received (including amounts received under interest rate swap contracts) of \$100 million, \$127 million and \$164 million in 2015, 2014 and 2013, respectively.

(b) Amounts include cash refunds of income taxes of \$15 million, \$14 million and \$2 million in 2015, 2014 and 2013, respectively.

Cash provided by operating activities increased from \$6.350 billion in 2014 to \$6.539 billion in 2015. This increase was primarily related to a change in working capital and a decrease in cash paid for interest, net, partially offset by an increase in cash paid for income taxes, net, and a decrease in Operating Income (excluding depreciation and amortization).

On December 19, 2014, the Tax Increase Prevention Act of 2014 was enacted, extending bonus depreciation deductions of 50% of the cost of the Company's qualified 2014 capital expenditures. Due to the late enactment of this Act, the Company made all 2014 income tax payments as if bonus depreciation was not going to be extended. This resulted in a 2014 overpayment of approximately \$120 million, the application of which reduced the Company's cash paid for income taxes, net, in 2015. On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 was enacted, extending bonus depreciation deductions on the cost of the Company's qualified capital expenditures from 2015 through 2019. Due to the late enactment of this Act, the Company also made all 2015 income tax payments as if bonus depreciation was not going to be extended. This resulted in a 2015 overpayment of approximately \$120 million, which will be applied to the Company's 2016 income tax liability.

Cash paid for interest, net, decreased during 2015 primarily as a result of the maturities of TWC's 8.25% senior notes due February 2014 (\$750 million in aggregate principal amount), 7.50% senior notes due April 2014 (\$1.0 billion in aggregate principal amount) and 3.50% senior notes due February 2015 (\$500 million in aggregate principal amount).

The Company made no cash contributions to its qualified defined benefit pension plans (the qualified pension plans) during 2015. As of December 31, 2015, the qualified pension plans and the nonqualified defined benefit pension plan (the nonqualified pension plan) and, together with the qualified pension plans, the pension plans) were underfunded by \$347 million. The Company may make discretionary cash contributions to the qualified pension plans in 2016. Such contributions will be dependent on a variety of factors, including current and expected interest rates, asset performance, the funded status of the qualified pension plans and management's judgment. For the nonqualified pension plan, the Company will continue to make contributions in 2016 to the extent benefits are paid. See Note 13 to the accompanying consolidated financial statements for additional discussion of the pension plans.

Cash provided by operating activities increased from \$5.753 billion in 2013 to \$6.350 billion in 2014. This increase was primarily related to a decrease in cash paid for income taxes, net, growth in Operating Income (excluding depreciation and amortization) and a decrease in cash paid for interest, net.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

Cash paid for income taxes, net, decreased during 2014 primarily as a result of certain capital expenditure-related deductions, including the tangible repair regulations (e.g., de minimus expensing) released in late 2013, which were partially offset by the continued reversal of bonus depreciation benefits recorded in prior years.

Cash paid for interest, net, decreased during 2014 primarily as a result of the maturity of TWC's 6.20% senior notes due July 2013 (\$1.5 billion in aggregate principal amount), 8.25% senior notes due February 2014 (\$750 million in aggregate principal amount) and 7.50% senior notes due April 2014 (\$1.0 billion in aggregate principal amount).

Investing Activities

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

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2015 | 2014 | 2013 |
| Capital expenditures | \$ (4,446) | \$ (4,097) | \$ (3,198) |
| Business acquisitions, net of cash acquired: | | | |
| DukeNet acquisition | | | (423) |
| Purchases of investments: | | | |
| Short-term investments in U.S. Treasury securities | | | (575) |
| All other | (4) | (2) | (13) |
| Proceeds from sale, maturity and collection of investments: | | | |
| Maturity of short-term investments in U.S. Treasury securities | | | 725 |
| All other | 3 | 19 | 1 |
| Acquisition of intangible assets | (51) | (39) | (40) |
| Other investing activities: | | | |
| Proceeds from settlement of Verizon Wireless agency agreement ^(a) | 120 | | |
| All other | 33 | 27 | 47 |
| Cash used by investing activities | \$ (4,345) | \$ (4,092) | \$ (3,476) |

^(a) Refer to Results of Operations Consolidated Results Other income, net for additional information.

Cash used by investing activities increased from \$4.092 billion in 2014 to \$4.345 billion in 2015, principally due to an increase in capital expenditures, partially offset by the proceeds from the settlement of certain terms of an agency agreement with Verizon Wireless. The increase in capital expenditures was due to customer relationship growth, as well as the Company's investments to improve network reliability, upgrade older customer premise equipment and expand its network to additional residences, commercial buildings and cell towers.

Cash used by investing activities increased from \$3.476 billion in 2013 to \$4.092 billion in 2014, principally due to an increase in capital expenditures and the 2013 maturities of short-term investments in U.S. Treasury securities (net of purchases), partially offset by a decrease in business acquisitions, net of cash acquired. The increase in capital expenditures was primarily due to the Company's investments to improve network reliability, upgrade older customer premise equipment and expand its network to additional residences, commercial buildings and cell towers.

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

Capital expenditures by major category were as follows (in millions):

| | Year Ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2015 | 2014 | 2013 |
| Customer premise equipment ^(a) | \$ 1,810 | \$ 1,565 | \$ 1,109 |
| Scalable infrastructure ^(b) | 930 | 1,004 | 740 |
| Line extensions ^(c) | 771 | 695 | 602 |
| Upgrades/rebuilds ^(d) | 270 | 149 | 114 |
| Support capital ^(e) | 665 | 684 | 633 |
| Total capital expenditures | \$ 4,446 | \$ 4,097 | \$ 3,198 |

- (a) Amounts represent costs incurred in the purchase and installation of equipment that resides at a customer's home or business for the purpose of receiving/sending video, high-speed data and/or voice signals. Such equipment includes set-top boxes, remote controls, high-speed data modems (including wireless), telephone modems and the costs of installing such new equipment. Customer premise equipment also includes materials and labor costs incurred to install the drop cable that connects a customer's dwelling or business to the closest point of the main distribution network.
- (b) Amounts represent costs incurred in the purchase and installation of equipment that controls signal reception, processing and transmission throughout TWC's distribution network, as well as controls and communicates with the equipment residing at a customer's home or business. Also included in scalable infrastructure is certain equipment necessary for content aggregation and distribution (video-on-demand equipment) and equipment necessary to provide certain video, high-speed data and voice service features (voicemail, email, etc.).
- (c) Amounts represent costs incurred to extend TWC's distribution network into a geographic area previously not served. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (d) Amounts primarily represent costs incurred to upgrade or replace certain existing components or an entire geographic area of TWC's distribution network. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable and certain electronic equipment.
- (e) Amounts represent all other capital purchases required to run day-to-day operations. These costs typically include vehicles, land and buildings, computer hardware/software, office equipment, furniture and fixtures, tools and test equipment. Amounts include capitalized software costs of \$357 million, \$323 million and \$335 million in 2015, 2014 and 2013, respectively.

Financing Activities

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

| | Year Ended December 31, | | |
|---|--------------------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 |
| Short-term borrowings (repayments), net | \$ (507) | \$ 507 | \$ |
| Repayments of long-term debt | (500) | (1,750) | (1,500) |
| Repayments of long-term debt assumed in acquisitions | | | (138) |
| Redemption of mandatorily redeemable preferred equity | | | (300) |
| Dividends paid | (865) | (857) | (758) |
| Repurchases of common stock ^(a) | | (259) | (2,509) |
| Proceeds from exercise of stock options | 129 | 226 | 138 |
| Excess tax benefit from equity-based compensation | 92 | 141 | 93 |
| Taxes paid in cash in lieu of shares issued for equity-based compensation | (72) | (76) | (68) |
| Other financing activities | (8) | (8) | (14) |
| Cash used by financing activities | \$ (1,731) | \$ (2,076) | \$ (5,056) |

^(a) In February 2014, the Company suspended the Stock Repurchase Program. As of December 31, 2015, the Company had \$2.723 billion remaining under the Stock Repurchase Program authorization.

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

Cash used by financing activities was \$1.731 billion in 2015 compared to \$2.076 billion in 2014 and \$5.056 billion in 2013.

Cash used by financing activities in 2015 primarily consisted of payments of quarterly cash dividends, repayments of borrowings under the Company's commercial paper program and the repayment of TWC's 3.50% senior notes due February 2015 (\$500 million in aggregate principal amount).

Cash used by financing activities in 2014 primarily consisted of repayments of TWC's 8.25% senior notes due February 2014 (\$750 million in aggregate principal amount) and 7.50% senior notes due April 2014 (\$1.0 billion in aggregate principal amount), the payment of quarterly cash dividends and repurchases of TWC common stock (prior to the suspension of the Stock Repurchase Program), partially offset by borrowings under the Company's commercial paper program.

Cash used by financing activities in 2013 primarily consisted of repurchases of TWC common stock, the repayment of TWC's 6.20% senior notes due July 2013 (\$1.5 billion in aggregate principal amount), the payment of quarterly cash dividends, the redemption of the mandatorily redeemable non-voting Series A Preferred Equity Membership Units (the TW NY Cable Preferred Membership Units) issued by a former subsidiary of TWC, Time Warner NY Cable LLC (TW NY Cable), and the repayment of DukeNet's long-term debt.

Outstanding Debt and Available Financial Capacity

Debt as of December 31, 2015 and 2014 was as follows:

| | Maturity | Interest Rate | Outstanding Balance as of December 31, | |
|--|-----------|-----------------------|--|------------------|
| | | | 2015 | 2014 (recast) |
| (in millions) | | | | |
| TWC notes and debentures ^(a) | 2017-2042 | 6.046% ^(b) | \$ 20,370 | \$ 20,968 |
| TWCE debentures ^(c) | 2023-2033 | 7.919% ^(b) | 2,056 | 2,061 |
| Revolving credit facility ^(d) | 2017 | | | |
| Commercial paper program ^(d) | 2017 | | | 507 |
| Capital leases | 2016-2042 | | 76 | 85 |
| Total debt ^(e) | | | \$ 22,502 | \$ 23,621 |

- (a) Outstanding balance amounts of the TWC notes and debentures as of December 31, 2015 and 2014 include £1.258 billion and £1.259 billion, respectively, of senior unsecured notes valued at \$1.855 billion and \$1.960 billion, respectively, using the exchange rates at each date.
- (b) Rate represents a weighted-average effective interest rate as of December 31, 2015 and, for the TWC notes and debentures, includes the effects of interest rate swaps and cross-currency swaps.
- (c) Outstanding balance amounts of the TWCE debentures as of December 31, 2015 and 2014 include an unamortized fair value adjustment of \$56 million and \$61 million, respectively, primarily consisting of the fair value adjustment recognized as a result of the 2001 merger of America Online, Inc. (now known as AOL Inc.) and Time Warner Inc. (now known as Historic TW Inc.).
- (d) As of December 31, 2015, the Company had \$3.437 billion of available borrowing capacity under the Revolving Credit Facility (which reflects a reduction of \$63 million for outstanding letters of credit backed by the Revolving Credit Facility).
- (e) Outstanding balance amounts of total debt as of December 31, 2015 and 2014 include current maturities of \$5 million and \$1.017 billion, respectively.

See Note 8 for further details regarding the Company's outstanding debt and other financing arrangements, including certain information about maturities, covenants and rating triggers related to such debt and financing arrangements. As of December 31, 2015, TWC was in compliance with the leverage ratio covenant of the Revolving Credit Facility, with a

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

ratio of consolidated total debt as of December 31, 2015 to consolidated EBITDA for 2015 of approximately 2.6 times. In accordance with the Revolving Credit Facility agreement, consolidated total debt as of December 31, 2015 was calculated as (a) total debt per the accompanying consolidated balance sheet less the TWCE unamortized fair value adjustment (discussed above) and the fair value of debt subject to interest rate swaps, less (b) total cash per the accompanying consolidated balance sheet in excess of \$25 million. In accordance with the Revolving Credit Facility agreement, consolidated EBITDA for 2015 was calculated as Operating Income plus depreciation, amortization and equity-based compensation expense.

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 outstanding as of December 31, 2015, 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):

| | 2016 | 2017-2018 | 2019-2020 | Thereafter | Total |
|--|-----------------|------------------|------------------|------------------|------------------|
| Programming and content purchases ^(a) | \$ 5,570 | \$ 7,670 | \$ 3,360 | \$ 10,506 | \$ 27,106 |
| Outstanding debt obligations ^(b) | 5 | 4,007 | 4,757 | 13,995 | 22,764 |
| Interest ^(c) | 1,463 | 2,749 | 1,971 | 12,771 | 18,954 |
| Operating leases ^(d) | 170 | 269 | 170 | 245 | 854 |
| Other ^(e) | 405 | 277 | 85 | 397 | 1,164 |
| Total | \$ 7,613 | \$ 14,972 | \$ 10,343 | \$ 37,914 | \$ 70,842 |

^(a) Programming and content 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, 2015 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 and commitments related to TWC's role as an advertising and distribution sales agent for third party-owned channels or networks.

- (b) Outstanding debt obligations represent principal amounts due on outstanding debt obligations as of December 31, 2015. Amounts do not include any fair value adjustments, bond premiums, discounts, interest rate derivatives or interest payments.
- (c) Amounts are based on the outstanding debt balances, respective interest rates and maturity schedule of the respective instruments as of December 31, 2015. Interest ultimately paid on these obligations may differ based on any potential future refinancings entered into by the Company. See Note 8 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) Other represents various other contractual obligations, including amounts associated with data processing services, high-speed data connectivity, fiber-related and TWC Media obligations. Amounts do not include the Company's reserve for uncertain tax positions and related accrued interest and penalties, which as of December 31, 2015 totaled \$133 million, as the specific timing of any cash payments relating to this obligation cannot be projected with reasonable certainty.

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OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The Company's total rent expense was \$305 million, \$298 million and \$257 million in 2015, 2014 and 2013, respectively. Included within these amounts are pole attachment rental fees of \$81 million, \$79 million and \$70 million in 2015, 2014 and 2013, respectively.

Minimum pension funding requirements have not been presented in the table above as such amounts have not been determined beyond 2015. The Company made no cash contributions to the qualified pension plans in 2015; however, the Company may make discretionary cash contributions to the qualified pension plans in 2016. For the nonqualified pension plan, the Company contributed \$5 million during 2015 and will continue to make contributions in 2016 to the extent benefits are paid.

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 totaled \$424 million and \$373 million as of December 31, 2015 and 2014, 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

As of December 31, 2015, TWC had fixed-rate debt with an outstanding balance of \$22.364 billion and an estimated fair value of \$23.637 billion. As discussed below, TWC has entered into interest rate swaps to effectively convert a portion of its fixed-rate debt to variable-rate debt. Based on TWC's fixed-rate debt obligations outstanding at December 31, 2015, 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 \$429 million (excluding the impact of such rate changes on the fair value of the interest rate swaps). 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, 2015, TWC had no outstanding variable-rate debt. However, as discussed below, TWC has entered into interest rate swaps to effectively convert a portion of its fixed-rate debt to variable-rate debt.

Interest Rate Derivative Transactions

The Company is exposed to the market risk of 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 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.

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

The following table summarizes the terms of the Company's existing fixed to variable interest rate swaps as of December 31, 2015:

| Maturities | 2017-2019 |
|---|-----------|
| Notional amount (in millions) | \$ 5,600 |
| Weighted-average pay rate (variable based on LIBOR plus variable margins) | 5.41% |
| Weighted-average receive rate (fixed) | 6.86% |

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. 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 \$92 million in 2015.

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 its £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt outstanding. As described further in Note 10 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, including annual interest payments and the payment of principal at maturity, 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.

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 TWC's Board. 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.

Fair Value Estimates

Derivative Financial Instruments

Derivative financial instruments are used to manage the risks associated with fluctuations in interest rates and foreign currency exchange rates and are recognized in the consolidated balance sheet as either assets or liabilities at fair value. As discussed further in Note 10 to the accompanying consolidated financial statements, changes in the fair value of a derivative financial instrument designated as a fair value hedge (e.g., the Company's interest rate swaps) are recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. For a derivative financial instrument designated as a cash flow hedge (e.g., the Company's cross-currency swaps),

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TIME WARNER CABLE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

OF OPERATIONS AND FINANCIAL CONDITION (Continued)

the effective portion of the gain or loss on the derivative financial instrument is initially reported in equity as a component of accumulated other comprehensive income (loss), net, and subsequently reclassified into earnings when the hedged item (e.g., a forecasted transaction denominated in a foreign currenc