

# TimeWarner

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**HBO**

# Caution Concerning Forward-Looking Statements and Non-GAAP Financial Measures

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Today's presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995; particularly statements regarding future financial and operating results of the Company and its businesses. These statements are based on management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements in today's presentation due to changes in economic, business, competitive, technological, strategic and/or regulatory factors, and other factors affecting the operation of Time Warner's businesses. More detailed information about these factors may be found in filings by Time Warner with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. Time Warner is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Today's presentation also includes information regarding the historical financial performance through June 30, 2016 of Time Warner and its reporting segments and its expectations regarding future performance, including historical financial performance as reflected in non-GAAP financial measures such as Adjusted Operating Income, Free Cash Flow and Adjusted EPS. Please note that schedules setting out the reconciliation of these and other historical non-GAAP financial measures to operating income, cash provided by operations from continuing operations, diluted income per common share from continuing operations attributable to Time Warner common shareholders or other most directly comparable GAAP financial measures, as applicable, are included in the trending schedules posted on the Company's Web site at [www.timewarner.com/investors](http://www.timewarner.com/investors) and, as applicable, also are included in the Company's earnings release for the quarter ended June 30, 2016, which also can be accessed from the Company's Web site. Reconciliations of the expected future financial performance of Time Warner are included in a press release issued on August 3, 2016, which also can be accessed from the Company's Web site, as well as in the trending schedules posted on the Company's Web site.

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# Second Quarter 2016 Results

**Howard Averill**

Chief Financial Officer

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**August 3, 2016**

# Financial Highlights

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- Revenues of \$7.0 billion
- Operating Income and Adjusted Operating Income<sup>(1)</sup> each totaled \$1.8 billion
- EPS<sup>(2)</sup> of \$1.20 and Adjusted EPS<sup>(2)</sup> of \$1.29
- Repurchased 23 million shares for \$1.6 billion year-to-date through July 29, 2016

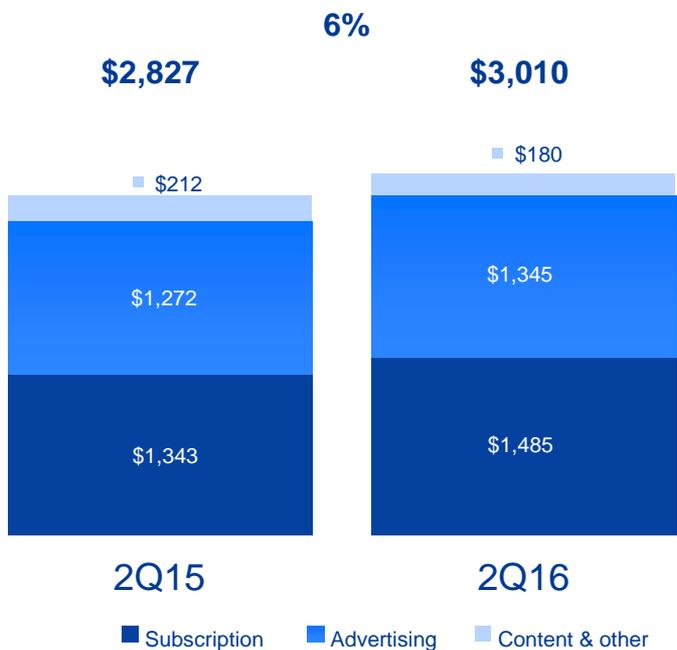
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Refer to Notes on slide 11

# Turner Highlights

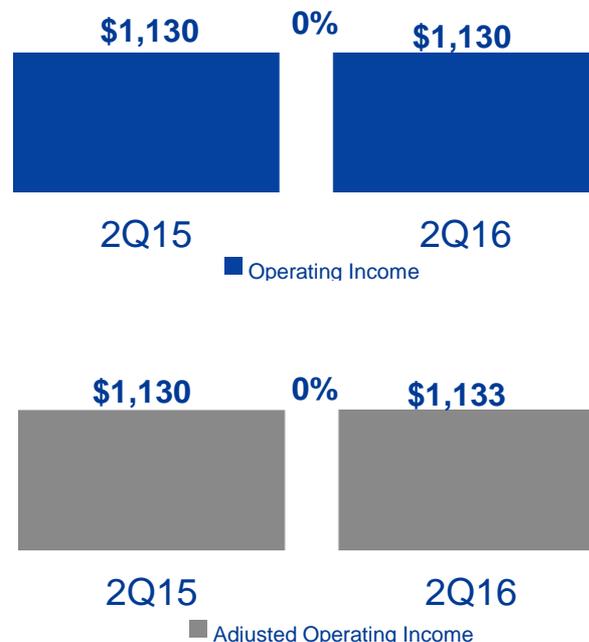
(\$ in millions)

## Revenues



YY Growth	Subscription	Advertising	Content & other
2Q16	11%	6%	(15%)

## Operating Income and Adjusted Operating Income<sup>(1)</sup>



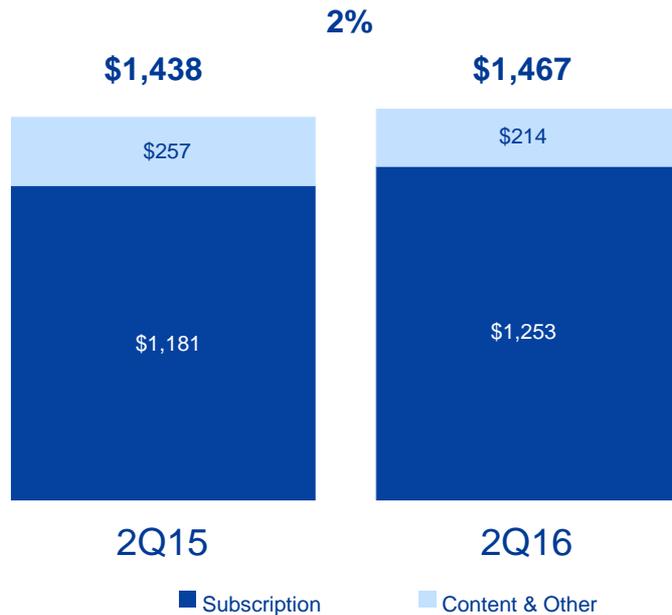
	2Q15	2Q16
Operating Income Margin <sup>(3)</sup>	40%	38%
Adjusted Operating Income Margin <sup>(3)</sup>	40%	38%

Refer to Notes on slide 11

# Home Box Office Highlights

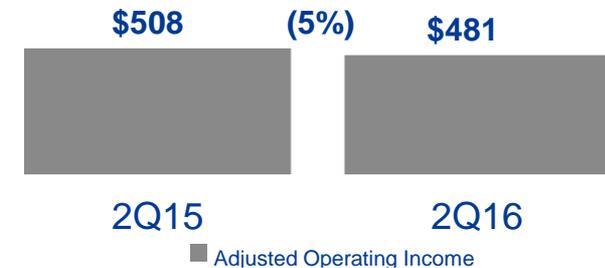
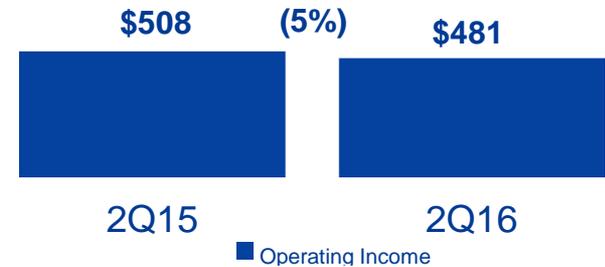
(\$ in millions)

## Revenues



YY Growth	Subscription	Content & Other
2Q16	6%	(17%)

## Operating Income and Adjusted Operating Income<sup>(1)</sup>



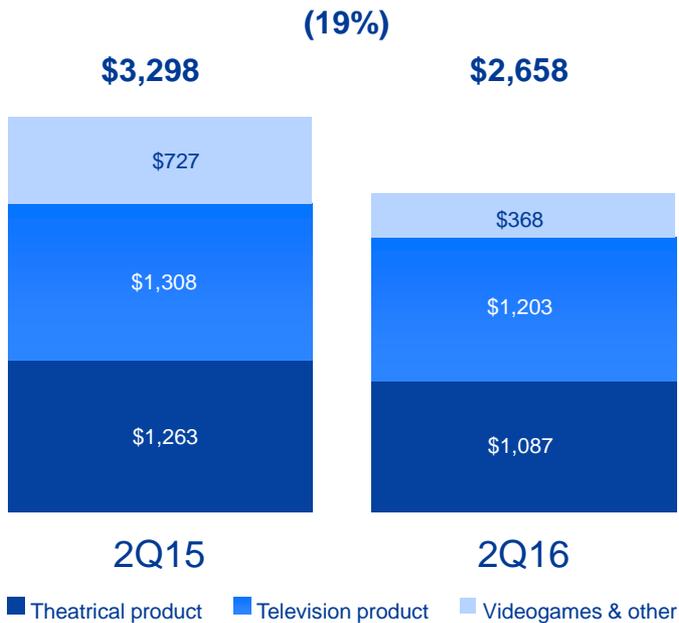
	2Q15	2Q16
Operating Income Margin <sup>(3)</sup>	35%	33%
Adjusted Operating Income Margin <sup>(3)</sup>	35%	33%

Refer to Notes on slide 11

# Warner Bros. Highlights

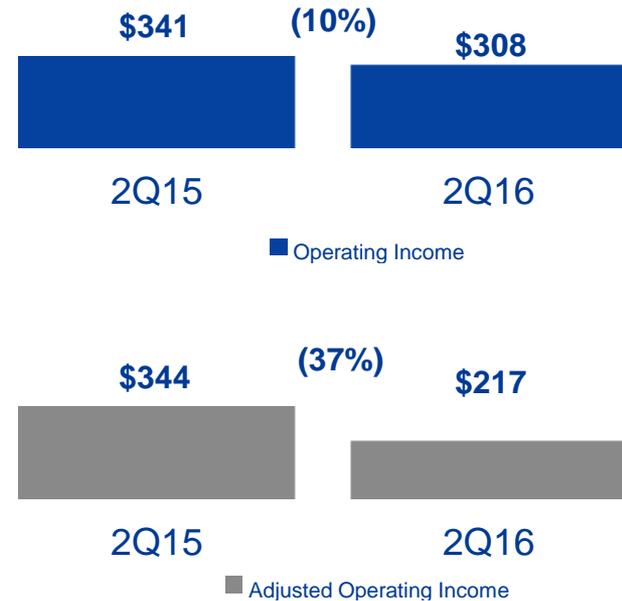
(\$ in millions)

## Revenues



Y/Y Growth	Theatrical product	Television product	Videogames & other
2Q16	(14%)	(8%)	(49%)

## Operating Income and Adjusted Operating Income<sup>(1)</sup>



	2Q15	2Q16
Operating Income Margin <sup>(3)</sup>	10%	12%
Adjusted Operating Income Margin <sup>(3)</sup>	10%	8%

Refer to Notes on slide 11

# Free Cash Flow

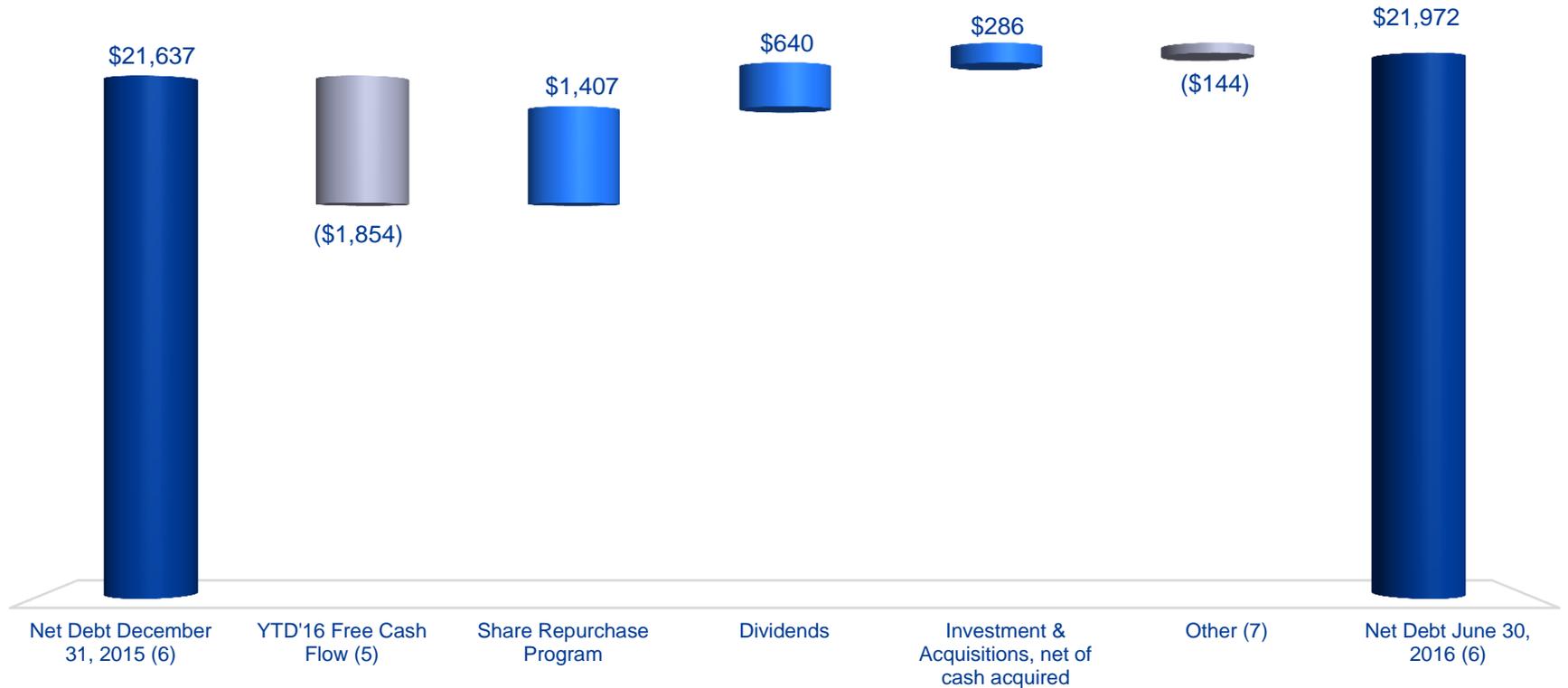
(\$ in millions)

	<u>2Q15</u>	<u>2Q16</u>
Adjusted Operating Income <sup>(1)</sup>	\$3,676	\$3,772
Depreciation and Amortization	334	336
Working Capital/Other <sup>(4)</sup>	(805)	(829)
Cash interest, net	(627)	(594)
Cash taxes	(655)	(669)
Capital expenditures	(154)	(162)
Free Cash Flow <sup>(5)</sup>	<u>\$1,769</u>	<u>\$1,854</u>
Cash Provided by Operations from Continuing Operations	\$1,800	\$1,973

Refer to Notes on slide 11

# Net Debt Update

(\$ in millions)



**Leverage Ratio<sup>(8)</sup> 2.9x**

Refer to Notes on slide 11

# 2016 Outlook<sup>(9)</sup>

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Adjusted EPS<sup>(2)</sup>

Range of \$5.35-\$5.45

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# Notes

1. Adjusted Operating Income (Loss) is Operating Income (Loss) excluding the impact of noncash impairments of goodwill, intangible and fixed assets; gains and losses on operating assets (other than deferred gains on sale-leasebacks); gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions or dispositions (including restructuring and severance costs associated with dispositions), as well as contingent consideration related to such transactions, to the extent such costs are expensed; amounts related to securities litigation and government investigations; and the foreign currency losses during the three months ended March 31, 2015, related to the translation of net monetary assets denominated in Venezuelan currency resulting from the Company's change to the Simadi exchange rate during the quarter ended March 31, 2015.
2. EPS is Diluted Income per Common Share from Continuing Operations attributable to Time Warner Inc. common shareholders. Adjusted EPS is Diluted Income per Common Share from Continuing Operations attributable to Time Warner Inc. common shareholders with the following items excluded from Income from Continuing Operations attributable to Time Warner Inc. common shareholders: noncash impairments of goodwill, intangible and fixed assets and investments; gains and losses on operating assets (other than deferred gains on sale-leasebacks), liabilities (including extinguishments of debt) and investments, in each case including associated costs of the transaction; gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions, investments or dispositions (including restructuring and severance costs associated with dispositions), as well as contingent consideration related to such transactions, to the extent such costs are expensed; amounts related to securities litigation and government investigations; the foreign currency losses during the three months ended March 31, 2015 related to the translation of net monetary assets denominated in Venezuelan currency resulting from the Company's change to the Simadi exchange rate during the quarter ended March 31, 2015; and amounts attributable to businesses classified as discontinued operations; as well as the impact of taxes and noncontrolling interests on the above items and the Company's share of the above items with respect to equity method investments.
3. Operating Income margin is defined as Operating Income divided by Revenues. Adjusted Operating Income margin is defined as Adjusted Operating Income divided by Revenues.
4. Working Capital/Other also includes principal payments on capital leases and excess tax benefits from equity instruments.
5. Free Cash Flow is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions (including restructuring and severance costs associated with dispositions), to the extent such costs are expensed, contingent consideration payments made in connection with acquisitions, and excess tax benefits from equity instruments, less capital expenditures, principal payments on capital leases and partnership distributions, if any.
6. Net Debt is the sum of Long-term debt and Debt due within one year, minus Cash and equivalents.
7. Other relates primarily to proceeds from the exercise of stock options, proceeds from the sale of investments and fixed assets, and capital lease obligations.
8. Leverage Ratio is defined as Net Debt divided by Adjusted OIBDA for the trailing four quarters. Adjusted OIBDA is defined as Adjusted Operating Income (Loss) before Depreciation and Amortization and is calculated as Adjusted Operating Income (Loss) plus depreciation and amortization.
9. The outlook for 2016 Adjusted EPS does not include the impact of any future merger or unplanned restructuring and severance charges, the impact from future sales or acquisitions of operating assets or the impact of taxes on such items. These items may occur from time to time due to management decisions and changing business circumstances, and the impact of such items would be included in both Adjusted EPS (other than gains or losses from operating assets and any related tax effect) and Diluted Income per Common Share from Continuing Operations attributable to Time Warner Inc. common shareholders ("EPS"), which is the most directly comparable GAAP measure to Adjusted EPS. The Company is currently unable to forecast precisely the timing and/or magnitude of any such events and resulting impacts on EPS and Adjusted EPS.

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# Second Quarter 2016 Results

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Chief Financial Officer

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**August 3, 2016**