UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the quarterly period ended March 31, 2014 or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from ____________________ to ____________________

Commission file number 001-15062

TIME WARNER INC.

(Exact name of Registrant as specified in its charter)

Delaware	**13-4099534**
(State or other jurisdiction of	*(I.R.S. Employer*

incorporation or organization)	*Identification No.)*

One Time Warner Center

New York, NY 10019-8016

(Address of Principal Executive Offices) (Zip Code)

(212) 484-8000

(Registrant s Telephone Number, Including Area Code)

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 þ No ¨

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

Indicate by check mark 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. (Check one):

Large accelerated filer þ	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 Exchange Act). Yes ¨ No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Description of Class	**Shares Outstanding as of April 22, 2014**
Common Stock $.01 par value	882,097,734

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OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

INTRODUCTION

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

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

Results of operations. This section provides an analysis of the Company s results of operations for the three months ended March 31, 2014. This analysis is presented on both a consolidated and a business segment basis. In addition, a brief description of transactions and other items that affect the comparability of the results being analyzed is included.

Financial condition and liquidity. This section provides an analysis of the Company s financial condition as of March 31, 2014 and cash flows for the three months ended March 31, 2014.

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.

OVERVIEW

Time Warner is a leading media and entertainment company whose major businesses encompass an array of the most respected and successful media brands. Among the Company s brands are TNT, TBS, CNN, HBO, Cinemax, Warner Bros., New Line Cinema, *People*, *Sports Illustrated* and *Time*. During the three months ended March 31, 2014, the Company generated Revenues of $7.545 billion (up 9% from $6.939 billion in 2013), Operating Income of $1.932 billion (up 37% from $1.410 billion in 2013), Net Income attributable to Time Warner shareholders of $1.292 billion (up 71% from $754 million in 2013) and Cash provided by operations of $1.704 billion (up 134% from $729 million in 2013). On March 6, 2013, Time Warner announced that its Board of Directors has authorized management to proceed with plans for the complete legal and structural separation of the Company s Time Inc. segment from Time Warner (the Time Separation). Time Warner expects to complete the Time Separation during the second quarter of 2014.

Time Warner Businesses

Time Warner classifies its operations into four reportable segments: Turner, Home Box Office, Warner Bros. and Time Inc. For additional information regarding Time Warner s segments, refer to Note 12, Segment Information, to the accompanying consolidated financial statements.

Turner. Time Warner s Turner segment consists of businesses managed by Turner Broadcasting System, Inc. (Turner). During the three months ended March 31, 2014, the Turner segment recorded Revenues of $2.593 billion (34% of the Company s total Revenues) and Operating Income of $900 million.

Turner operates domestic and international television networks, including such recognized brands as TNT, TBS, truTV, CNN and Cartoon Network, which are among the leaders in advertising-supported television networks. The Turner networks generate revenues principally from providing programming to affiliates that have contracted to receive and distribute this programming to subscribers and from the sale of advertising. In addition, Turner provides online and mobile offerings for on-demand viewing of programs on its networks and live streaming of its networks to authenticated subscribers. Turner also manages and operates various digital media properties that primarily consist of websites, including *CNN.com*, *BleacherReport.com*, *NBA.com*, *NCAA.com* and *cartoonnetwork.com*, that generate revenues principally from the sale of advertising and sponsorships.

Home Box Office. Time Warner s Home Box Office segment consists of businesses managed by Home Box Office, Inc. (Home Box Office). During the three months ended March 31, 2014, the Home Box Office segment recorded

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Revenues of $1.339 billion (18% of the Company s total Revenues) and Operating Income of $464 million.

Home Box Office operates the HBO and Cinemax multi-channel premium pay television services, with the HBO service ranking as the most widely distributed multi-channel premium pay television service. HBO- and Cinemax-branded premium pay and basic tier television services are distributed in more than 60 countries across Latin America, Asia and Europe. HBO and Cinemax domestic premium pay television subscribers have access to the authenticated HBO GO and MAX GO streaming services, respectively, on various mobile devices and other online platforms, and an authenticated HBO GO streaming service is available to international premium pay television subscribers of HBO in a number of countries. Home Box Office generates revenues principally from providing programming to domestic affiliates that have contracted to receive and distribute such programming to their customers who subscribe to the HBO or Cinemax services. Home Box Office also derives subscription revenues from the distribution by international affiliates of country-specific HBO and Cinemax premium pay and basic tier television services to their local subscribers. Additional sources of revenues for Home Box Office are the sale of its original programming, including *Game of Thrones, True Blood* and *Boardwalk Empire*, via DVDs, Blu-ray Discs and electronic sell-through (EST) and the licensing of its original programming.

Warner Bros. Time Warner s Warner Bros. segment consists of businesses managed by Warner Bros. Entertainment Inc. (Warner Bros.) that principally produce and distribute feature films, television shows and videogames. During the three months ended March 31, 2014, the Warner Bros. segment recorded Revenues of $3.066 billion (38% of the Company s total Revenues) and Operating Income of $369 million.

The Warner Bros. segment s theatrical product revenues are generated principally through rental fees from theatrical exhibition of feature films, including the following recently released films: *300: Rise of An Empire*, *Gravity*, *The Hobbit: The Desolation of Smaug*, and *The LEGO Movie* and subsequently through licensing fees received from the distribution of films on television networks and premium pay television services. Television product revenues are generated principally from the licensing of programs to television networks and premium pay television services. The segment also generates revenues for both its theatrical and television product through home video distribution on DVD and Blu-ray Discs and in various digital formats (e.g., EST and video-on-demand) as well as through licensing of feature films and television programming to subscription video-on-demand (SVOD) services. In addition, the segment generates revenues through the development and distribution of videogames.

Warner Bros. continues to be an industry leader in the television content business. Domestically, for the 2013-2014 season, Warner Bros. produced more than 60 series, including (i) at least three series for each of the five broadcast networks (including *2 Broke Girls*, *Arrow*, *The Bachelor*, *The Big Bang Theory*, *The Following*, *The Mentalist*, *The Middle*, *Mike & Molly*, *Mom*, *Person of Interest*, *Revolution*, *Super Fun Night*, *Two and a Half Men*, *Vampire Diaries* and *The Voice*), (ii) original series for cable television networks (including *Dallas*, *Longmire, Major Crimes*, *Pretty Little Liars* and *Rizzoli & Isles*), (iii) series for first-run syndication (including *The Ellen DeGeneres Show*, *Extra* and *TMZ*) and (iv) animated series for cable television networks. Warner Bros. also licenses many of these series internationally. In addition, Warner Bros. operates a group of local television production companies in the U.K., Belgium and the Netherlands that focus on developing non-scripted programs and formats that can be sold internationally and adapted for sale in the U.S. Warner Bros. also creates locally-produced versions of programs owned by the studio as well as original local television programming for international territories.

The distribution and sale of physical discs (both standard definition DVDs and high definition Blu-ray Discs) is one of the largest contributors to the segment s revenues and profits. In recent years, home video revenues have declined as a result of several factors, including consumers shifting to subscription rental services and discount rental kiosks, which generate significantly less revenue per transaction for the Company than physical disc sales; changing retailer initiatives and strategies (e.g., reduction of floor space devoted to physical discs); retail store closures; the general economic conditions in the U.S. and many regions around the world; increasing competition for consumer discretionary time and spending; and piracy. The electronic delivery of film and television content is growing and becoming more important to the Warner Bros. segment, which has helped to offset some of the decline in sales of physical discs. For the first quarter of 2014, consumer spending on physical discs continued to decline and consumer spending on electronic delivery continued to increase.

Time Inc. Time Warner s Time Inc. segment consists principally of magazine publishing businesses and related websites and operations managed by Time Inc. During the three months ended March 31, 2014, the Time Inc. segment

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recorded Revenues of $745 million (10% of the Company s total Revenues) and Operating Loss of $120 million.

As of March 31, 2014, Time Inc. published 23 magazines in print in the U.S., including *People*, *Sports Illustrated*, *InStyle* and *Time*, and over 70 magazines outside the U.S. For most of Time Inc. s major magazine titles, Time Inc. also offers tablet editions, websites optimized for mobile viewing and mobile applications. In addition, as of March 31, 2014, Time Inc. operated over 45 websites that collectively have millions of average monthly unique visitors around the world.

The Time Inc. segment generates revenues primarily from the sale of advertising, magazine subscriptions and magazine newsstand sales. The Time Inc. segment is experiencing declines in its print advertising and newsstand sales as a result of market conditions in the magazine publishing industry as well as the economic environment in the United States and internationally.

During the third quarter of 2013, Time Inc. appointed a new Chief Executive Officer and Chief Financial Officer, who have been developing new strategies and initiatives for Time Inc. as part of a new long-range plan. The strategies and initiatives encompassed in the long-range plan are intended to enhance the scale of Time Inc. s digital platforms and associated revenues, extend brands and audiences into new adjacent opportunities, and stabilize operating income trends.

In the first quarter of 2014, Time Inc. initiated a significant restructuring plan that includes streamlining its organizational structure to enhance operational flexibility, speed decision-making, and spur the development of new cross-brand products and services. Time Inc. incurred restructuring and severance charges of $115 million in the first quarter of 2014 and expects to incur approximately $30 million during the second quarter of 2014 in connection with this restructuring plan and certain real estate consolidations. Beyond its current restructuring plan, Time Inc. anticipates additional headcount reductions and real estate consolidations in the future.

Recent Developments

Venezuela Currency

Certain of the Company s divisions conduct business in Venezuela. As of March 31, 2014, the Company has $111 million of net Venezuelan Bolivares Fuertes (VEF) denominated consolidated monetary assets, primarily consisting of cash and accounts receivable, which have been remeasured at the official exchange rate as published by the Central Bank of Venezuela of 6.3 VEF to each U.S. Dollar. However, because of Venezuelan government-imposed restrictions on the exchange of foreign currency in Venezuela, the Company has not been able to convert VEF earned in Venezuela into U.S. Dollars at the official government rate.

In March of 2013, the Venezuelan government announced the creation of a new foreign currency exchange system called the Complimentary System of Foreign Currency Acquirement (SICAD), a complementary currency auction system it created for purchases of U.S. Dollars by certain eligible importers and tourists. In December 2013, the

Venezuelan government published the SICAD rate for the first time and issued Exchange Agreement No. 24, which clarified that SICAD could be used only by companies operating in the oil and gas industry for certain transactions and for gold purchases conducted by the Venezuelan Central Bank. In January 2014, the government expanded the use of SICAD and announced that it would increase the amount of U.S. Dollars available to buyers to $220 million per week from $100 million. In addition, through Exchange Agreement No. 25, the government noted that it would expand the use of the SICAD auction rate for certain other types of transactions that were previously limited to the official rate. For the weeks ended March 28 and April 4, 2014, the published SICAD exchange rates were 10.8 and 10.7 VEF for each U.S. Dollar, respectively. Based on the published SICAD requirements, the Company does not believe it is eligible to access the SICAD exchange. If the Company had used the published SICAD exchange rate as of March 31, 2014 to remeasure its VEF-denominated consolidated monetary assets, the Company would have recognized foreign exchange losses of approximately $46 million, on a pre-tax basis, in its Consolidated Statement of Operations.

On March 24, 2014, the Venezuelan government introduced a new currency exchange system referred to as SICAD 2, which is regulated by the Central Bank of Venezuela. The Company does not believe it is eligible to access the SICAD 2 exchange due to the requirements regarding its legal structure that must be met for an entity to participate in the exchange. In its initial week of activity, the average daily exchange rates realized from transactions through SICAD 2 were published by the Central Bank of Venezuela and ranged from 50.9 VEF to 51.9 VEF for each U.S. Dollar. On March 31, 2014, the

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published average daily rate was 49.8 VEF for each U.S. Dollar. Given the status of its eligibility to access the SICAD and SICAD 2 exchanges, the Company continues to use the official exchange rate for its remeasurement rate as of March 31, 2014. If the Company is able to utilize the SICAD 2 exchange system to regularly access U.S. Dollars in future periods, the SICAD 2 rate may be used as its remeasurement rate. If the Company had used the published SICAD 2 exchange rate as of March 31, 2014 to remeasure its VEF-denominated consolidated monetary assets, the Company would have recognized foreign exchange losses of approximately $97 million, on a pre-tax basis, in its Consolidated Statement of Operations.

Central European Media Enterprises Ltd.

On February 28, 2014, Time Warner and Central European Media Enterprises Ltd. (CME) entered into a framework agreement and a term loan agreement. Pursuant to the framework agreement and the term loan agreement, Time Warner and CME agreed to undertake a series of related financing transactions in which the Company will provide CME with up to approximately $550 million through (i) a $115 million revolving credit facility and a $30 million term loan that mature on December 1, 2017, and (ii) the purchase of units from CME. CME will use the proceeds from the transactions to redeem the approximately 273 million aggregate principal amount of its fixed rate notes due 2016 and for general corporate purposes.

As part of these transactions, on April 3, 2014, CME commenced a rights offering and offered its shareholders rights to subscribe for 3,418,467 units at a subscription price of $100.00 per unit. Each unit consists of $100 principal amount of 15% senior secured notes due 2017 and 21 unit warrants, with each unit warrant entitling the holder to purchase one share of CME Class A common stock at an exercise price of $1.00 per share. At the closing of the rights offering, which is expected to occur on May 2, 2014 (the Closing Date), Time Warner has agreed to exercise in full its right to purchase approximately 2.2 million units and also will purchase any units that are not purchased by CME s other shareholders. In addition, on the Closing Date, Time Warner will purchase a total of 581,533 units in private offerings, and CME will issue warrants to Time Warner to purchase a total of 30 million shares of Class A common stock. The warrants that will be issued to Time Warner, including the unit warrants in connection with the rights offering, do not contain any voting rights and are exercisable for a two-year period starting on the second anniversary of their issuance. The warrants are subject to a limited right whereby the Company can exercise any of its warrants earlier solely to maintain its ownership percentage.

The $30 million term loan will bear interest at a rate of 15.0% per annum, paid semi-annually either fully in cash or by adding such amount to the principal amount of the loan. Amounts outstanding under the revolving credit facility will bear interest at a rate per annum based on LIBOR (subject to a minimum rate of 1.00%) plus 14%. CME can pay accrued interest for an applicable quarterly interest period either fully in cash or by adding such amount to the principal amount of the revolving credit facility. The revolving credit facility also contains a commitment fee on the average daily unused amount under the facility of 0.50% per annum.

The transactions will not change the Company s approximately 49% voting interest, but will result in the Company holding up to an approximate 78% economic interest in CME s equity interests on a diluted basis. At December 31, 2013, the Company held an approximate 65% economic interest in CME s equity interests. The Company accounts for its investment in CME s common stock and Class A convertible preferred stock under the equity method of accounting. The Company accounts for its investment in CME s Series B convertible redeemable preferred shares under the cost method of accounting.

Eyeworks

On February 11, 2014, Warner Bros. entered into an agreement with Eyeworks Group (Eyeworks), a television production and distribution company, to acquire its operations outside the U.S., which are located in 15 countries across Europe, South America, Australia and New Zealand, for approximately 200 million. The transaction, which is subject to customary closing conditions including regulatory approval, is expected to close during the second quarter of 2014.

Sale and Leaseback of Time Warner Center

On January 16, 2014, Time Warner sold the office space it owned in Time Warner Center for approximately $1.3 billion and agreed to lease office space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of $441 million and a tax benefit of $58 million in the first quarter of 2014. Additionally, a pretax gain of approximately $325 million has been deferred and will be recognized ratably over the lease period. The Company also reached a preliminary agreement relating to the move of its Corporate headquarters and its

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New York City-based employees to the Hudson Yards development on the west side of Manhattan. The preliminary agreement is subject to the negotiation and execution of final agreements. While negotiations regarding the agreements are ongoing, certain conditions were met by the developer during the first quarter that resulted in the Company making payments of $66 million related to its investment in the Hudson Yards development project. Over the next several years, the Company expects to invest approximately $1.3 billion in the Hudson Yards development project.

Time Inc. Separation from Time Warner

On March 6, 2013, Time Warner announced that its Board of Directors has authorized management to proceed with plans for the Time Separation. The Time Separation is currently expected to be effected as a spin-off of Time Inc., a wholly owned subsidiary of the Company. In the Time Separation, Time Warner will distribute all of its Time Inc. common stock to Time Warner stockholders, and Time Inc. will become an independent publicly-traded company. The Time Separation is contingent on the satisfaction of a number of conditions, including the effectiveness of a registration statement on Form 10, which Time Inc. filed with the Securities and Exchange Commission on November 22, 2013. Time Warner expects to complete the Time Separation during the second quarter of 2014.

Time Inc. Financing Transactions

In connection with the Time Separation, on April 29, 2014, Time Inc. issued $700 million aggregate principal amount of 5.75% senior unsecured notes due 2022 in a private offering. The notes are guaranteed by substantially all of Time Inc. s wholly-owned domestic subsidiaries. If Time Warner decides not to pursue the Time Separation or the Time Separation is not completed by October 26, 2014, Time Inc. must redeem all the outstanding notes.

On April 24, 2014, Time Inc. entered into senior secured credit facilities (the Senior Credit Facilities) providing for a term loan in an initial principal amount of $700 million with a seven-year maturity (the Term Loan) and a $500 million revolving credit facility with a five-year maturity, of which up to $100 million is available for the issuance of letters of credit (the Revolving Credit Facility). Time Inc. s obligations under the Senior Credit Facilities are guaranteed by substantially all of its wholly-owned domestic subsidiaries and secured by substantially all of its assets and the assets of the guarantors. The commitments of the lenders under the Senior Credit Facilities terminate on June 30, 2014 if the Term Loan has not been borrowed by that date. As of April 30, 2014, no amounts have been borrowed under the Senior Credit Facilities. The Revolving Credit Facility will be used by Time Inc. for working capital and other general corporate purposes. The Revolving Credit Facility is not available for borrowing prior to the Time Separation.

Time Warner is not a guarantor of, and does not otherwise provide credit support for, the senior unsecured notes or the Senior Credit Facilities.

The proceeds of the notes and a portion of the Term Loan will be used to fund Time Inc. s acquisition of the IPC publishing business in the U.K., which is currently owned by a wholly-owned subsidiary of Time Warner (the IPC

Purchase), and the remaining proceeds from the Term Loan will be used to pay a special dividend to Time Warner in connection with the Time Separation. The purchase price for the IPC Purchase, together with the amount of the special dividend, is expected to be approximately $1.4 billion.

RESULTS OF OPERATIONS

Recent Accounting Guidance

See Note 1, Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, to the accompanying consolidated financial statements for a discussion of recent accounting guidance.

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Transactions and Other Items Affecting Comparability

As more fully described herein and in the related notes to the accompanying consolidated financial statements, the comparability of Time Warner s results has been affected by transactions and certain other items in each period as follows (millions):

	Three Months Ended March 31, 2014	2013
Asset impairments	$ (38)	$ (27)
Gain on operating assets, net	454	8
Other	(20)	(11)
Impact on Operating Income	396	(30)
Investment gains (losses), net	(5)	71
Amounts related to the separation of Time Warner Cable Inc.	(1)	5
Amounts related to the disposition of Warner Music Group	(1)	(1)
Pretax impact	389	45
Income tax impact of above items	74	(22)
Impact of items affecting comparability on net income attributable to Time Warner Inc. shareholders	$ 463	$ 23

In addition to the items affecting comparability described above, the Company incurred Restructuring and severance costs of $137 million and $80 million for the three months ended March 31, 2014 and 2013, respectively. For further discussion of Restructuring and severance costs, see Consolidated Results and Business Segment Results.

Asset Impairments

During the three months ended March 31, 2014, the Company recognized asset impairments of $1 million at the Turner segment related to miscellaneous assets, $5 million at the Warner Bros. segment related to certain internally developed software, $26 million at the Time Inc. segment primarily in connection with a building held for sale and $6 million at Corporate related to certain internally developed software.

During the three months ended March 31, 2013, the Company recognized asset impairments of $18 million at the Turner segment consisting of $12 million related to certain of Turner s international intangible assets and $6 million related to programming assets resulting from Turner s decision in the first quarter of 2013 to shut down certain of its entertainment networks in Spain, $2 million at the Warner Bros. segment related to miscellaneous assets and $7 million at Corporate related to certain internally developed software.

Gain on Operating Assets, Net

For the three months ended March 31, 2014, the Company recognized a $13 million gain at the Turner segment related to the sale of Zite, Inc. (Zite), a news content aggregation and recommendation platform, and a $441 million gain at Corporate in connection with the sale and leaseback of the Company s office space in Time Warner Center.

For the three months ended March 31, 2013, the Company recognized an $8 million gain at Corporate on the disposal of certain corporate assets.

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Other

Other reflects external costs related to mergers, acquisitions or dispositions of $20 million and $11 million for the three months ended March 31, 2014 and 2013, respectively. External costs related to mergers, acquisitions or dispositions for the three months ended March 31, 2014 consisted of $7 million at the Turner segment primarily related to exit costs in connection with the shutdown of CNN Latino, a Spanish-language news broadcast programming block, $6 million at the Warner Bros. segment primarily related to the pending Eyeworks transaction and $7 million at Corporate related to the Time Separation and for the three months ended March 31, 2013 consisted of $2 million at the Turner segment related to the shutdown of certain entertainment networks in Spain and $9 million at Corporate related to the Time Separation.

External costs related to mergers, acquisitions or dispositions are included in Selling, general and administrative expenses in the accompanying Consolidated Statement of Operations.

Investment Gains (Losses), Net

For the three months ended March 31, 2014, the Company recognized $5 million of net investment losses.

For the three months ended March 31, 2013, the Company recognized $71 million of net investment gains, consisting of a $65 million gain on the sale of the Company s investment in a theater venture in Japan, which included a $10 million gain related to a foreign currency contract, and $6 million of net miscellaneous investment gains.

Amounts Related to the Separation of Time Warner Cable Inc.

For the three months ended March 31, 2014 and 2013, the Company recognized $1 million of other expense and $5 million of other income, respectively, related to the expiration, exercise and net change in the estimated fair value of Time Warner equity awards held by Time Warner Cable Inc. (TWC) employees, which has been reflected in Other income (loss), net in the accompanying Consolidated Statement of Operations.

Amounts Related to the Disposition of Warner Music Group

For both the three months ended March 31, 2014 and 2013, the Company recognized losses of $1 million primarily related to a tax indemnification obligation associated with the disposition of Warner Music Group (WMG) in 2004. These amounts have been reflected in Other income (loss), net in the accompanying Consolidated Statement of Operations.

Income Tax Impact

The income tax impact reflects the estimated tax provision or tax benefit associated with each item affecting comparability. The estimated tax provision or tax benefit can vary based on certain factors, including the taxability or deductibility of the items and foreign tax on certain items.

Consolidated Results

The following discussion provides an analysis of the Company s results of operations and should be read in conjunction with the accompanying Consolidated Statement of Operations.

Revenues. The components of Revenues are as follows (millions):

	Three Months Ended March 31,		
	2014	**2013**	**% Change**
Subscription	$ 2,736	$ 2,560	7%
Advertising	1,512	1,464	3%
Content	3,068	2,730	12%
Other	229	185	24%
Total revenues	$ 7,545	$ 6,939	9%

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For the three months ended March 31, 2014, the increase in Subscription revenues was primarily related to increases at the Turner, Home Box Office and Time Inc. segments. Advertising revenues for the three months ended March 31, 2014 increased primarily due to an increase at the Turner segment. The increase in Content revenues for the three months ended March 31, 2014 was due primarily to an increase at the Warner Bros. and Home Box Office segments, partially offset by a decline at the Turner segment. The increase in Other revenues for the three months ended March 31, 2014 was primarily related to an increase at the Warner Bros. segment, partially offset by a decline at the Time Inc. segment.

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

Costs of Revenues. For the three months ended March 31, 2014, Costs of revenues increased to $4.160 billion from $3.750 billion for the three months ended March 31, 2013 reflecting increases at the Warner Bros., Turner and Home Box Office segments. The segment variations are discussed in Business Segment Results.

Selling, General and Administrative Expenses. For the three months ended March 31, 2014, Selling, general and administrative expenses increased 3% to $1.663 billion from $1.620 billion for the three months ended March 31, 2013 primarily related to increases at the Time Inc., Turner and Home Box Office segments. The segment variations are discussed in Business Segment Results.

Included in Costs of revenues and Selling, general and administrative expenses is depreciation expense of $157 million for both the three months ended March 31, 2014 and 2013.

Amortization Expense. Amortization expense was $69 million for the three months ended March 31, 2014 and $60 million for the three months ended March 31, 2013.

Restructuring and Severance Costs. For the three months ended March 31, 2014 and 2013, the Company incurred Restructuring and severance costs primarily related to employee terminations and other exit activities. Restructuring and severance costs are as follows (millions):

	Three Months Ended March 31, 2014		2013	
Turner	$	12	$	14
Home Box Office		8		8
Warner Bros.		2		3
Time Inc.		115		53
Corporate		4		2

Eliminations		(4)		-
Total restructuring and severance costs	$	137	$	80

Operating Income. Operating Income increased to $1.932 billion for the three months ended March 31, 2014 from $1.410 billion for the three months ended March 31, 2013. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling $396 million of income and $30 million of expense for the three months ended March 31, 2014 and 2013, respectively, Operating Income increased $96 million, reflecting increases at the Warner Bros., Home Box Office and Turner segments, partially offset by a decrease at the Time Inc. segment.

The segment variations are discussed under Business Segment Results.

Interest Expense, Net. For the three months ended March 31, 2014, Interest expense, net decreased to $266 million from $290 million for the three months ended March 31, 2013 mainly due to the recognition of interest income on a note receivable that was collected in March 2014.

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

	Three Months Ended March 31, 2014	2013
Investment gains (losses), net	$ (5)	$ 71
Amounts related to the separation of TWC	(1)	5
Amounts related to the disposition of WMG	(1)	(1)
Loss from equity method investees	(1)	(60)
Other	2	1
Other income (loss), net	$ (6)	$ 16

Investment gains (losses), net and amounts related to the separation of TWC and the disposition of WMG are discussed under Transactions and Other Items Affecting Comparability. The remaining change in Other income (loss), net was related to lower net losses from equity method investees.

Income Tax Provision. Income tax provision decreased to $368 million for the three months ended March 31, 2014 from $382 million for the three months ended March 31, 2013. The Company s effective tax rate was 22% for the three months ended March 31, 2014 compared to 34% for the three months ended March 31, 2013. The decrease in the effective tax rate for the three months ended March 31, 2014 was primarily due to the expected utilization of tax attribute carryovers.

Net Income Attributable to Time Warner Inc. Shareholders. Net income attributable to Time Warner Inc. shareholders was $1.292 billion and $754 million for the three months ended March 31, 2014 and 2013, respectively. Excluding the items noted under Transactions and Other Items Affecting Comparability totaling $463 million and $23 million of income for the three months ended March 31, 2014 and 2013, respectively, Net income attributable to Time Warner Inc. shareholders increased $98 million, primarily reflecting higher Operating Income. Basic and Diluted net income per common share attributable to Time Warner Inc. common shareholders were $1.45 and $1.42, respectively, for the three months ended March 31, 2014 and were $0.80 and $0.79, respectively, for the three months ended March 31, 2013.

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Business Segment Results

Turner. Revenues and Operating Income of the Turner segment for the three months ended March 31, 2014 and 2013 are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Revenues:			
Subscription	$ 1,309	$ 1,224	7%
Advertising	1,137	1,086	5%
Content	96	113	(15%)
Other	51	47	9%
Total revenues	2,593	2,470	5%
Costs of revenues[(a)]	(1,204)	(1,110)	8%
Selling, general and administrative[(a)]	(431)	(414)	4%
Gain on operating assets	13	-	NM
Asset impairments	(1)	(18)	(94%)
Restructuring and severance costs	(12)	(14)	(14%)
Depreciation	(54)	(58)	(7%)
Amortization	(4)	(5)	(20%)
Operating Income	$ 900	$ 851	6%

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

The increase in Subscription revenues for the three months ended March 31, 2014 was primarily due to higher domestic rates.

The increase in Advertising revenues for the three months ended March 31, 2014 reflected domestic growth of $47 million driven by an increase at Turner s domestic entertainment networks mainly due to the 2014 National Collegiate Athletic Association Division I Men s Basketball Championship tournament (the NCAA Tournament), including the airing of additional games, and higher pricing, partially offset by lower audience delivery.

Content revenues decreased primarily due to the timing of SVOD availabilities.

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

	Three Months Ended March 31, 2014	2013	% Change
Programming costs:			
Originals and sports	$ 777	$ 701	11%
Acquired films and syndicated series	231	222	4%
Total programming costs	1,008	923	9%
Other direct operating costs	196	187	5%
Costs of revenues[a]	$ 1,204	$ 1,110	8%

[a] Costs of revenues exclude depreciation.

The increase in Costs of revenues for the three months ended March 31, 2014 was primarily due to higher originals and sports programming costs, mainly due to higher costs related to the NCAA Tournament.

For the three months ended March 31, 2014, Selling, general and administrative expenses increased mainly due to higher marketing expense of $9 million and higher exit costs of $5 million, primarily related to the shutdown of CNN Latino.

As previously noted under Transactions and Other Items Affecting Comparability, the results for the three months ended March 31, 2014 included a $13 million gain on operating assets related to the sale of Zite and a $7 million charge primarily related to exit costs for the shutdown of CNN Latino. The results for the three months ended March 31, 2013 included a $12 million charge related to the impairment of certain Turner international intangible assets and an $8 million charge related to Turner s decision in the first quarter of 2013 to shut down certain of its entertainment networks in Spain. This charge consisted of a $6 million impairment related to programming assets and a $2 million charge related to exit costs.

The increase in Operating Income for the three months ended March 31, 2014 was primarily due to higher Revenues, lower asset impairments and the gain on the sale of operating assets related to the sale of Zite, partially offset by higher Costs of revenues and higher Selling, general and administrative expenses.

Home Box Office. Revenues and Operating Income of the Home Box Office segment for the three months ended March 31, 2014 and 2013 are as follows (millions):

	Three Months Ended March 31,		
	2014	**2013**	**% Change**
Revenues:			
Subscription	$ 1,130	$ 1,045	8%
Content	207	183	13%
Other	2	-	NM
Total revenues	1,339	1,228	9%
Costs of revenues[a]	(656)	(606)	8%
Selling, general and administrative[a]	(186)	(175)	6%
Restructuring and severance costs	(8)	(8)	-
Depreciation	(21)	(20)	5%
Amortization	(4)	(2)	100%
Operating Income	$ 464	$ 417	11%

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

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The increase in Subscription revenues for the three months ended March 31, 2014 was primarily due to the 2013 consolidation of HBO Asia and HBO Nordic, which contributed $45 million of Subscription revenues for the three months ended March 31, 2014, as well as higher domestic subscription revenues of $41 million driven primarily by higher rates.

The increase in Content revenues for the three months ended March 31, 2014 was primarily due to higher home video revenues.

The components of Costs of revenues for the Home Box Office segment are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Programming costs:			
Originals and sports	$ 218	$ 221	(1%)
Acquired films and syndicated series	250	214	17%
Total programming costs	468	435	8%
Other direct operating costs	188	171	10%
Costs of revenues[a]	$ 656	$ 606	8%

[a] Costs of revenues exclude depreciation.

The increase in Costs of revenues for the three months ended March 31, 2014 was primarily due to higher acquired films and syndicated series programming costs reflecting the consolidation of HBO Asia and HBO Nordic as well as higher other direct operating costs mainly due to higher distribution costs associated with higher home video revenues. Originals and sports programming costs were essentially flat as lower programming impairments and lower costs for sports programming were partially offset by higher costs for original series.

For the three months ended March 31, 2014, Selling, general and administrative expenses increased mainly due to the consolidation of HBO Asia and HBO Nordic.

The increase in Operating Income for the three months ended March 31, 2014 was primarily due to higher Revenues, partially offset by higher Costs of revenues.

Warner Bros. Revenues and Operating Income of the Warner Bros. segment for the three months ended March 31, 2014 and 2013 are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Revenues:			
Subscription	$ 34	$ 33	3%
Advertising	15	14	7%
Content	2,903	2,568	13%
Other	114	66	73%
Total revenues	3,066	2,681	14%
Costs of revenues[a]	(2,123)	(1,835)	16%
Selling, general and administrative[a]	(474)	(485)	(2%)
Asset impairments	(5)	(2)	150%
Restructuring and severance costs	(2)	(3)	(33%)
Depreciation	(51)	(50)	2%
Amortization	(42)	(43)	(2%)
Operating Income	$ 369	$ 263	40%

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

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Content revenues primarily relate to theatrical product (which is content made available for initial exhibition in theaters) and television product (which is content made available for initial airing on television). The components of Content revenues for the three months ended March 31, 2014 and 2013 are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Theatrical product:			
Film rentals	$ 555	$ 324	71%
Home video and electronic delivery	382	456	(16%)
Television licensing	403	414	(3%)
Consumer products and other	57	44	30%
Total theatrical product	1,397	1,238	13%
Television product:			
Television licensing	1,109	975	14%
Home video and electronic delivery	114	149	(23%)
Consumer products and other	69	72	(4%)
Total television product	1,292	1,196	8%
Other	214	134	60%
Total Content revenues	$ 2,903	$ 2,568	13%

Theatrical product revenues from film rentals increased for the three months ended March 31, 2014, reflecting higher revenues of $220 million from theatrical films released during the first quarter of 2014 and higher carryover revenues of $11 million from prior period releases. The Company released 4 and 5 theatrical films during the three months ended March 31, 2014 and 2013, respectively.

For the three months ended March 31, 2014, theatrical product revenues from home video and electronic delivery decreased due to lower revenues of $73 million from releases during the first quarter of 2014. There were 2 home video and electronic delivery releases during both the three months ended March 31, 2014 and 2013.

Television product revenues from television licensing for the three months ended March 31, 2014 increased due to higher revenues from initial telecasts due in part to increased production and the timing of deliveries as well as higher international television licensing revenues.

The decrease in television product revenues from home video and electronic delivery for the three months ended March 31, 2014 was primarily due to lower revenues from consumer packaged goods.

Other content revenues increased for the three months ended March 31, 2014 primarily due to higher carryover revenues of $41 million from videogames released in prior periods and higher revenues of $21 million from videogames released during the first quarter of 2014. The Company released 3 and 2 videogames during the three months ended March 31, 2014 and 2013, respectively.

Other revenues increased for the three months ended March 31, 2014 primarily due to higher international third party production activity.

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The components of Costs of revenues for the Warner Bros. segment are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Film and television production costs	$ 1,439	$ 1,225	17%
Print and advertising costs	432	413	5%
Other costs, including merchandise and related costs	252	197	28%
Costs of revenues[a]	$ 2,123	$ 1,835	16%

[a] Costs of revenues excludes depreciation.

Included in film and television production costs are production costs related to videogames, as well as theatrical film valuation adjustments resulting from revisions to estimates of ultimate revenue for certain theatrical films. Theatrical film valuation adjustments for the three months ended March 31, 2014 and 2013 were $36 million and $10 million, respectively. The increase in film and television productions costs was primarily due to the performance and mix of product released and also reflected higher videogame production costs, including impairments of $18 million related to certain videogames in production. Other costs, including merchandise and related costs, increased primarily due to higher distribution costs associated with videogames.

As previously noted under Transactions and Other Items Affecting Comparability, the results for three months ended March 31, 2014 included a $5 million impairment of certain internally developed software, and the results for the three months ended March 31, 2013 included $2 million of miscellaneous asset impairments.

The increase in Operating Income for the three months ended March 31, 2014 was primarily due to higher Revenues, partially offset by higher Costs of revenues.

Time Inc. Revenues and Operating Loss of the Time Inc. segment for the three months ended March 31, 2014 and 2013 are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Revenues:			

Subscription	$	270	$	258	5%
Advertising		390		389	-
Content		19		16	19%
Other		66		74	(11%)
Total revenues		745		737	1%
Costs of revenues[(a)]		(306)		(306)	-
Selling, general and administrative[(a)]		(375)		(355)	6%
Asset impairments		(26)		-	-
Restructuring and severance costs		(115)		(53)	117%
Depreciation		(24)		(22)	9%
Amortization		(19)		(10)	90%
Operating Loss	$	(120)	$	(9)	NM

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

For the three months ended March 31, 2014, Subscription revenues increased due to $11 million of revenues resulting from the acquisition of Time Inc. Affluent Media Group (formerly known as American Express Publishing Corporation) in the fourth quarter of 2013 (the AMG Acquisition). Excluding the AMG Acquisition, Subscription revenues were essentially flat reflecting a benefit from additional issues in the current year quarter, offset by declines related to market conditions in the magazine publishing industry.

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For the three months ended March 31, 2014, Advertising revenues were essentially flat. Included in domestic magazine advertising revenues was $25 million of revenues resulting from the AMG Acquisition as well as a benefit from additional issues in the current year quarter, which were offset by declines related to market conditions in the magazine publishing industry. In addition, non-magazine advertising revenues were also flat as an increase in website advertising revenues was offset by declines in custom publishing and other non-magazine advertising revenues. Included in website advertising revenues for the three months ended March 31, 2014 was $4 million of revenues resulting from the AMG Acquisition.

The Company expects the market conditions associated with the Time Inc. segment s Subscription revenues and Advertising revenues to continue.

For the three months ended March 31, 2014, Other revenues declined due to lower revenues from third party subscription marketing activities.

The components of Costs of revenues for the Time Inc. segment are as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Production costs	$ 175	$ 171	2%
Editorial costs	108	116	(7%)
Other	23	19	21%
Costs of revenues[a]	$ 306	$ 306	-

[a] Costs of revenues excludes depreciation.

For the three months ended March 31, 2014, Costs of revenues were flat. Production costs increased slightly due to higher costs of $8 million associated with the AMG Acquisition, partially offset by lower paper prices and reduced print volume. Editorial costs decreased due to cost savings initiatives, including savings realized from restructurings in both the first quarters of 2014 and 2013 as well as a $6 million change in the classification of certain overhead costs, partially offset by higher costs of $5 million associated with the AMG Acquisition.

For the three months ended March 31, 2014, Selling, general and administrative expenses increased primarily due to higher costs of $26 million resulting from the AMG Acquisition, a $6 million change in the classification of certain overhead costs and higher costs of $6 million associated with the Time Separation, partly offset by cost savings initiatives, including savings realized from restructurings in both the first quarters of 2014 and 2013.

As previously noted under Transactions and Other Items Affecting Comparability, the results for the three months ended March 31, 2014 included $26 million of asset impairments primarily related to a building held for sale.

The Time Inc. segment incurred charges of $115 million in the first quarter of 2014 in connection with a significant restructuring, primarily consisting of headcount reductions and certain real estate consolidations. In the first quarter of 2013, Time Inc. incurred charges of $53 million in connection with a significant restructuring primarily consisting of headcount reductions. The Time Inc. segment expects to incur additional restructuring and severance charges of approximately $30 million in the second quarter of 2014, primarily related to certain real estate consolidations.

Operating Loss increased for the three months ended March 31, 2014 primarily due to higher Restructuring and severance costs, higher Asset impairments and higher Selling, general and administrative expenses.

As a result of the Company s decision to spin off Time Inc., the Company assessed Goodwill and long-lived assets at Time Inc. for impairment as of March 2014, which did not result in any impairment. As of March 31, 2014, the fair value of the Time Inc. reporting unit was approximately 5% in excess of its book value. However, market conditions in the publishing industry, including declines in print advertising revenues and newsstand sales, remain challenging. During the third quarter of 2013, Time Inc. appointed a new Chief Executive Officer and Chief Financial Officer, who have been

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developing new strategies and initiatives for Time Inc. as part of a new long-range plan. The strategies and initiatives encompassed in the long-range plan are intended to enhance the scale of Time Inc. s digital platforms and associated revenues, extend brands and audiences into new adjacent opportunities, and stabilize operating income trends. If market conditions worsen as compared to the assumptions incorporated in that long-range plan or if Time Inc. s performance fails to meet current expectations, it is possible that the Company s expectations of future cash flows could change. If market conditions or the Company s expectations of future cash flows are worse than the Company s current expectations, it is possible that the carrying values of the Time Inc. reporting unit and certain of its tradenames will exceed their respective fair values, which could result in the Company recognizing a noncash impairment of goodwill that could be material. See Note 1, Description of Business and Basis of Presentation, to the accompanying financial statements for more information.

Corporate. Corporate s Operating Income (Loss) for the three months ended March 31, 2014 and 2013 was as follows (millions):

	Three Months Ended March 31,		
	2014	2013	% Change
Selling, general and administrative[a]	$ (115)	$ (116)	(1%)
Gain on operating assets	441	8	NM
Asset impairments	(6)	(7)	(14%)
Restructuring and severance costs	(4)	(2)	100%
Depreciation	(7)	(7)	-
Operating Income (Loss)	$ 309	$ (124)	NM

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

As previously noted under Transactions and Other Items Affecting Comparability, the results for the three months ended March 31, 2014 included a $441 million gain in connection with the sale and leaseback of the Company s office space in Time Warner Center and a $6 million impairment of certain internally developed software. The results for the three months ended March 31, 2013 included an $8 million gain on the disposal of certain corporate assets and a $7 million impairment of certain internally developed software.

Excluding the transactions and other items affecting comparability noted above, Operating Loss for the three months ended March 31, 2014 was essentially flat.

Selling, general and administrative expenses included costs related to enterprise efficiency initiatives of $12 million and $10 million for the three months ended March 31, 2014 and 2013, respectively. The enterprise efficiency initiatives involve the centralization of certain administrative functions to generate cost savings or other benefits for the Company.

FINANCIAL CONDITION AND LIQUIDITY

Management believes that cash generated by or available to the Company should be sufficient to fund its capital and liquidity needs for the foreseeable future, including scheduled debt repayments, quarterly dividend payments and the purchase of common stock under the Company s stock repurchase program. Time Warner s sources of cash include Cash provided by operations, Cash and equivalents on hand, available borrowing capacity under its committed credit facilities and commercial paper program and access to capital markets. Time Warner s unused committed capacity at March 31, 2014 was $8.568 billion, which included $3.546 billion of Cash and equivalents.

Current Financial Condition

At March 31, 2014, Time Warner had net debt of $16.745 billion ($20.291 billion of debt less $3.546 billion of Cash and equivalents) and $30.044 billion of Shareholders equity, compared to net debt of $18.303 billion ($20.165 billion of debt less $1.862 billion of Cash and equivalents) and $29.904 billion of Shareholders equity at December 31, 2013.

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The following table shows the significant items contributing to the decrease in net debt from December 31, 2013 to March 31, 2014 (millions):

Balance at December 31, 2013	$	18,303
Cash provided by operations		(1,704)
Capital expenditures		99
Repurchases of common stock		991
Dividends paid to common stockholders		287
Investments and acquisitions, net of cash acquired		141
Proceeds from the exercise of stock options		(116)
Proceeds from the sale of Time Warner Center		(1,264)
Other investment and sale proceeds		(44)
All other, net		52
Balance at March 31, 2014	$	16,745

On January 30, 2014, Time Warner s Board of Directors authorized up to $5.0 billion of share repurchases beginning January 1, 2014, including amounts available under the Company s prior stock repurchase program as of December 31, 2013. Purchases under the stock repurchase program may be made from time to time on the open market and in privately negotiated transactions. The size and timing of these purchases are based on a number of factors, including price and business and market conditions. From January 1, 2014 through April 25, 2014, the Company repurchased 20 million shares of common stock for $1.286 billion pursuant to trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended.

On January 16, 2014, Time Warner sold the office space it owned in Time Warner Center for approximately $1.3 billion and agreed to lease office space in Time Warner Center from the buyer until early 2019. In connection with these transactions, the Company recognized a pretax gain of $441 million and a tax benefit of $58 million in the first quarter of 2014. Additionally, a pretax gain of approximately $325 million has been deferred and will be recognized ratably over the lease period. The Company also reached a preliminary agreement relating to the move of its Corporate headquarters and its New York City-based employees to the Hudson Yards development on the west side of Manhattan. The preliminary agreement is subject to the negotiation and execution of final agreements. While negotiations regarding the agreements are ongoing, certain conditions were met by the developer during the first quarter that resulted in the Company making payments of $66 million related to its investment in the Hudson Yards development project. Over the next several years, the Company expects to invest approximately $1.3 billion in the Hudson Yards development project.

Time Inc. Financing Transactions

In connection with the Time Separation, on April 29, 2014, Time Inc. issued $700 million aggregate principal amount of 5.75% senior unsecured notes due 2022 in a private offering. In addition, on April 24, 2014, Time Inc. entered into senior secured credit facilities providing for a term loan in an initial principal amount of $700 million with a seven-year maturity and a $500 million revolving credit facility with a five-year maturity, of which up to $100 million is available for the issuance of letters of credit. No amounts were outstanding under the senior secured credit facilities at April 30, 2014. See Recent Developments for more information.

Cash Flows

Cash and equivalents increased by $1.684 billion for the three months ended March 31, 2014 and decreased by $348 million for the three months ended March 31, 2013. Components of these changes are discussed below in more detail.

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Operating Activities

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

	Three Months Ended March 31, 2014	2013
Operating Income	$ 1,932	$ 1,410
Depreciation and amortization	226	217
Net interest payments[a]	(237)	(269)
Net income taxes paid[b]	(128)	(189)
All other, net, including working capital changes	(89)	(440)
Cash provided by operations	$ 1,704	$ 729

[a] Includes cash interest received of $25 million and $13 million for the three months ended March 31, 2014 and 2013, respectively.

[b] Includes income tax refunds received of $32 million and $11 million for the three months ended March 31, 2014 and 2013, respectively.

Cash provided by operations for the three months ended March 31, 2014 increased primarily due to higher Operating Income, lower cash used by working capital and lower net income taxes paid. Cash used by working capital decreased primarily due to lower participation and production spending as well as the timing of sports programming payments.

Investing Activities

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

	Three Months Ended March 31, 2014	2013
Investments in available-for-sale securities	$ (23)	$ (15)
Investments and acquisitions, net of cash acquired	(118)	(62)
Capital expenditures	(99)	(85)
Proceeds from the sale of available-for-sale securities	-	33

Proceeds from the sale of Time Warner Center		1,264		-
All other investment and sale proceeds		44		120
Cash provided (used) by investing activities	$	1,068	$	(9)

The change in Cash provided (used) by investing activities for the three months ended March 31, 2014 was primarily due to proceeds from the sale of office space in Time Warner Center. Included in Investments and acquisitions, net of cash acquired for the three months ended March 31, 2014 is $66 million of payments related to the Company s investment in the Hudson Yards development in connection with the Company s plan to consolidate its New York City locations to the Hudson Yards development.

In the second quarter of 2014, the Company expects to consummate a series of related financing transactions with CME that will provide CME with up to approximately $550 million. See Recent Developments for more information.

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Financing Activities

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