

TIME WARNER CABLE INC.

FORM 8-K (Current report filing)

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Address	290 HARBOR DRIVE STAMFORD, Connecticut 06902-7441
Telephone	(203) 328-0600
CIK	0001377013
Industry	Not Assigned
Fiscal Year	12/31

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 2, 2007

TIME WARNER CABLE INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation)*

001-33335

(Commission File Number)

84-1496755

*(IRS Employer
Identification No.)*

North Tower, One Time Warner Center, New York, New York 10019

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212) 364-8200

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition."

On May 2, 2007, Time Warner Cable Inc. ("Time Warner Cable") issued a press release setting forth its financial results for its first quarter ended March 31, 2007. A copy of Time Warner Cable's press release is attached as Exhibit 99.1 to this report. Time Warner Cable does not intend for this Item 2.02 or Exhibit 99.1 to be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or to be incorporated by reference into filings under the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press release issued May 2, 2007 by Time Warner Cable Inc. and furnished pursuant to Item 2.02, "Results of Operations and Financial Condition."

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIME WARNER CABLE INC.

By: /s/ John K. Martin, Jr.

Name: John K. Martin, Jr.

Title: Executive Vice President and
Chief Financial Officer

Date: May 2, 2007

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press release issued May 2, 2007 by Time Warner Cable Inc. and furnished pursuant to Item 2.02, "Results of Operations and Financial Condition."

**TIME WARNER CABLE REPORTS
2007 FIRST QUARTER RESULTS**

Subscriber Growth Accelerated in All Key Services

Revenue Generating Unit Net Additions of 910,000, a 35% Increase Over Fourth Quarter

Revenues Increased 61%, Operating Income Before Depreciation and Amortization Rose 54% and Operating Income Grew 28%

Revenues Increased 10%, Operating Income Before Depreciation and Amortization Rose 12% and Operating Income Grew 11% Over Pro Forma Prior Year Quarter

NEW YORK, NY, May 2, 2007 – Time Warner Cable Inc. (NYSE: TWC) today reported financial results for its first quarter ended March 31, 2007.

Time Warner Cable President and Chief Executive Officer Glenn Britt said, “I’m pleased to report that effective execution of our strategy generated very strong results in Time Warner Cable’s first quarter as a public company. With 61% growth in revenues over the prior year and the net addition of 910,000 revenue generating units, a robust 35% increase in revenue generating unit net additions over the prior quarter, we are on track to deliver on our full year business outlook. We accelerated quarterly subscriber net additions in all key services, including basic and digital video, residential high-speed data and Digital Phone. We are also moving closer to completing the integration of the Acquired Systems, and by year-end expect these systems to offer Time Warner Cable’s advanced residential services.”

Mr. Britt continued: “We will continue to build on this momentum throughout 2007 by executing on the fundamental building blocks of our strategy. We’ll grow our customer base by delivering innovative services in bundled packages that provide a clear, compelling value proposition. Looking ahead, we see opportunities to build even more value and drive further growth for our shareholders. As one example, we have begun to offer voice services to small- to medium-sized businesses in five cities, and we expect to complete deployment in most of our Legacy Systems by year-end. In addition, we have launched our first set of wireless services in conjunction with Sprint under the brand name “Pivot” in five cities, and we plan to roll out these services further this year. We will introduce these and all new services with the same disciplined approach that has served us so well in the past.”

BASIS OF PRESENTATION

On July 31, 2006, a subsidiary of Time Warner Cable, Time Warner NY Cable LLC (“TW NY”), acquired certain cable systems from Adelphia Communications Corporation, Comcast Corporation’s (“Comcast”) interests in Time Warner Cable and Time Warner Entertainment Company, L.P. were redeemed, and TW NY and Comcast also exchanged certain cable systems. Collectively, these acquisitions and dispositions are referred to as the “Transactions.”

On January 1, 2007, Texas and Kansas City Cable Partners, L.P. (“TKCCP”), an unconsolidated joint venture between Time Warner Cable and Comcast, distributed its assets to its partners. Time Warner Cable received the systems in Kansas City, south and west Texas and New Mexico (the “Kansas City Pool”), which served approximately 788,000 basic video subscribers at December 31, 2006, and began consolidating the financial results of the Kansas City Pool on January 1, 2007.

For the presentation of subscriber information, the systems that the Company acquired in the Transactions, which served approximately 3.8 million basic video subscribers at March 31, 2007, are referred to as the “Acquired Systems.” Those systems that the Company owned both before and after the Transactions as well as the Kansas City Pool, which together served approximately 9.6 million basic video subscribers at March 31, 2007, are referred to as the “Legacy Systems.”

For the presentation of financial information, however, “Legacy Systems” refers only to those systems that the Company owned both before and after the Transactions and does not include the Kansas City Pool (the financial results of which the Company has shown separately). The “Acquired Systems” has the same definition as above.

The pro forma financial information for the first quarter of 2006 presents the results as if the Transactions had occurred, and the Kansas City Pool had been consolidated, on January 1, 2006.

FIRST QUARTER RESULTS

Revenues in the first quarter rose 61% (\$1.5 billion) over the first quarter of 2006 to \$3.9 billion, due primarily to the addition of the Acquired Systems (\$971 million), the consolidation of the Kansas City Pool (\$212 million) and 12% growth in the Legacy Systems.

Subscription revenues increased 61% (\$1.4 billion) to \$3.7 billion. Video revenues grew 59% (\$930 million) to \$2.5 billion due to the addition of the Acquired Systems (\$695 million) and the consolidation of the Kansas City Pool (\$135 million), as well as the continued increase in penetration of advanced digital video services, video price increases and subscriber growth in the Legacy Systems. High-speed data revenues increased 57% (\$326 million) to \$894 million, driven mainly by the addition of the Acquired Systems (\$197 million), the consolidation of the Kansas City Pool (\$49 million) and continued subscriber growth in the Legacy Systems. Voice revenues climbed 97% (\$130 million) to \$264 million, primarily as a result of strong Digital Phone subscriber growth in the Legacy Systems.

Advertising revenues climbed 73% (\$80 million) to \$189 million, due primarily to the addition of the Acquired Systems (\$64 million) and the consolidation of the Kansas City Pool (\$9 million).

Operating Income before Depreciation and Amortization grew 54% (\$456 million) compared to the first quarter of 2006 to \$1.3 billion, benefiting from revenue growth, offset partially by increases in operating expenses, primarily video programming and employee expenses, as a result of the addition of the Acquired Systems and the consolidation of the Kansas City Pool. Total programming expense increased 73% (\$370 million) to \$880 million. The increase in video programming costs was due to the addition of the Acquired Systems (\$257 million) and the consolidation of the Kansas City Pool (\$50 million), as well as increases in contractual rates, video subscriber growth and the expansion of service offerings in the Legacy Systems. Operating Income before Depreciation and Amortization also included merger-related and restructuring charges of \$10 million in the first quarter of both 2007 and 2006.

Operating Income before Depreciation and Amortization in the first quarter of 2006 included a benefit of approximately \$21 million, due to changes in estimates related to prior period medical benefit accruals, as well as an \$11 million benefit reflecting an adjustment in the amortization of certain launch support payments.

Operating Income increased 28% (\$127 million) over the first quarter of 2006 to \$579 million, due primarily to the increase in Operating Income before Depreciation and Amortization, offset partially by higher depreciation (\$269 million) and amortization (\$60 million) expenses. The increase in depreciation was primarily due to the addition of the Acquired Systems, the consolidation of the Kansas City Pool and demand-driven increases in recent years of purchases of customer premise equipment. The increase in amortization was primarily due to the amortization of intangible assets associated with customer relationships acquired as part of the Transactions.

Cash Provided by Operating Activities in the first quarter totaled \$1.0 billion.

Capital Spending in the first quarter totaled \$720 million, an increase of \$248 million compared to capital spending from continuing operations in the first quarter of 2006. The increase in capital spending was associated with the Acquired Systems as well as the continued roll-out of advanced digital services and the continued growth in high-speed data services in the Legacy Systems.

Free Cash Flow in the first quarter of 2007 totaled \$224 million and net debt on March 31, 2007, was \$14.4 billion.

Income and Per Share Results

For the first quarter of 2007, Income before discontinued operations and cumulative effect of accounting change and Net income were both \$276 million, or \$0.28 per basic and diluted common share. This compares to Income before discontinued operations and cumulative effect of accounting change in the first quarter of 2006 of \$204 million, or \$0.20 per basic and diluted common share, and Net income in the first quarter of 2006 of \$237 million, or \$0.23 per basic and diluted common share.

Certain items in the current quarter affected comparability, including a gain as a result of the distribution of TKCCP's assets, which was treated as a sale of the Company's 50% equity interest in the Houston area systems of TKCCP. This item had the net effect of increasing the current quarter's Income before discontinued operations and cumulative effect of accounting change and Net income by approximately \$81 million, or \$0.08 per basic and diluted common share. Excluding this item, both Income before discontinued operations and cumulative effect of accounting change and Net income decreased for the first quarter of 2007 as compared to the first quarter of 2006 due to higher interest expense and minority interest expense and lower income from equity investments, offset in part by an increase in Operating Income.

Table 1
First Quarter Results
(Unaudited)

	Three Months Ended March 31, 2007				Three Months Ended March 31, 2006			
	Legacy Systems	Acquired Systems	Kansas City Pool	Total Systems	Legacy Systems	Acquired Systems	Kansas City Pool	Total Systems
	(in millions)							
Subscription revenues:								
Video	\$ 1,674	\$ 695	\$ 135	\$ 2,504	\$ 1,574	\$ —	\$ —	\$ 1,574
High-speed data	648	197	49	894	568	—	—	568
Voice ^(a)	230	15	19	264	134	—	—	134
Total Subscription revenues	2,552	907	203	3,662	2,276	—	—	2,276
Advertising revenues	116	64	9	189	109	—	—	109
Total revenues	<u>\$ 2,668</u>	<u>\$ 971</u>	<u>\$ 212</u>	<u>\$ 3,851</u>	<u>\$ 2,385</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,385</u>
OIBDA				<u>\$ 1,307</u>				<u>\$ 851</u>
Operating Income				<u>\$ 579</u>				<u>\$ 452</u>

(a) Voice revenues in 2007 for the Acquired Systems include approximately \$14 million of revenues associated with subscribers acquired from Comcast who receive traditional, circuit-switched telephone service.

FIRST QUARTER PRO FORMA RESULTS

Compared to pro forma results for the first quarter of 2006, revenues in the first quarter of 2007 increased 10% (\$349 million) to \$3.9 billion and Subscription revenues rose 10% (\$333 million).

Compared to pro forma results for the first quarter of 2006, Operating Income before Depreciation and Amortization in the first quarter of 2007 climbed 12% (\$137 million) to \$1.3 billion and Operating Income increased 11% (\$58 million) to \$579 million.

Table 2
Comparison to Pro Forma 2006 Results
(Unaudited)

	Three Months Ended March 31,	
	2007	2006 ^(a) (pro forma)
	(in millions)	
Subscription revenues:		
Video	\$ 2,504	\$ 2,397
High-speed data	894	766
Voice	264	166
Total Subscription revenues	3,662	3,329
Advertising revenues ^(b)	189	173
Total revenues	<u>\$ 3,851</u>	<u>\$ 3,502</u>
OIBDA	<u>\$ 1,307</u>	<u>\$ 1,170</u>
Operating Income	<u>\$ 579</u>	<u>\$ 521</u>

(a) For the three months ended March 31, 2006, the pro forma information presents the Company's results as if the Transactions had occurred, and the Kansas City Pool had been consolidated, on January 1, 2006.

(b) For the three months ended March 31, 2007, the results reflect approximately \$10 million of incremental Advertising revenues, as compared to the comparable period in 2006, from the consolidation of Adlink Cable Advertising, LLC ("Adlink"). Adlink interconnects the Los Angeles area cable television systems to sell regional and national advertising. As a result of its increased ownership interest in Adlink arising from the Transactions, the Company began consolidating the operating results as of July 31, 2006. The pro forma results for the three months ended March 31, 2006, do not reflect the consolidation of Adlink.

SUBSCRIBER UPDATE

For definitions of certain terms, please refer to Table 3 below, which presents selected subscriber data.

Revenue Generating Units (“RGUs”). In the first quarter of 2007, RGU net additions accelerated in both the Legacy and Acquired Systems compared to the fourth quarter of 2006. The Company added 910,000 net revenue generating units. In the Legacy Systems, RGU net additions totaled 734,000 compared to 636,000 in the fourth quarter of 2006, marking a 15% increase and the second best quarter in over five years. In the Acquired Systems, RGU net additions totaled 176,000 compared to 39,000 in the fourth quarter of 2006. Total RGUs grew 3% compared to the prior quarter to 30.4 million.

Bundled Subscriptions. At the end of the first quarter, 6.5 million customers (44% of the 14.7 million customer relationships) subscribed to two or more of the Company’s primary services (video, high-speed data and voice services). Triple play subscribers, generally the Company’s lowest churn customers, totaled 1.7 million (nearly 12% of customer relationships). In the Legacy Systems at the end of the first quarter, bundled subscriptions totaled 5.0 million (48% of customer relationships), including triple play subscriptions (16% of customer relationships). Legacy Systems triple play net additions of 187,000 accelerated over net additions of 178,000 in the fourth quarter of 2006. Additionally, the Acquired Systems, which previously did not offer Digital Phone, posted 19,000 triple play net additions during the first quarter.

Basic Video. At March 31, 2007, Time Warner Cable served 13.4 million basic video subscribers, representing 51% of its homes passed. In the Legacy Systems, basic video penetration reached nearly 57% of homes passed.

Time Warner Cable added a net 46,000 basic video subscribers in the first quarter compared to a net loss of 23,000 in the fourth quarter of 2006. The Legacy Systems gained a net 66,000 basic video subscribers in the first quarter compared to 29,000 in the fourth quarter of 2006, marking the seventh consecutive quarter of net additions and the best quarter in over five years. The gain in the Legacy Systems was offset, in part, by a net reduction of 20,000 in the Acquired Systems compared to a net reduction of 52,000 in the fourth quarter of 2006.

Digital Video. Digital video subscribers at the end of the first quarter totaled 7.5 million, representing 56% penetration of basic video customers. Digital video net additions were 278,000 in the first quarter. The Legacy Systems grew by 197,000 net additions during the first quarter, a 5% increase compared to net additions in the fourth quarter of 2006. The Acquired Systems grew by 81,000 net additions during the first quarter, a 37% increase compared to net additions in the fourth quarter of 2006.

Residential High-Speed Data. At March 31, 2007, the Company had 7.0 million residential high-speed data subscribers, representing 27% penetration of service-ready homes passed. Residential high-speed data net additions were 356,000 in the first quarter, up 45% as compared to the fourth quarter of 2006. The Legacy Systems gained a net 253,000 residential high-speed data subscribers, an increase of 23% compared to net additions in the fourth quarter of 2006, marking the seventh consecutive quarter in which the Legacy Systems had subscriber growth of at least 200,000 net additions and the second best quarter in over five years. Residential high-speed data penetration at March 31, 2007, was nearly 32% of service-ready homes passed in the Legacy Systems. In addition, in the first quarter, the Company added a net 103,000 residential high-speed data subscribers in the Acquired Systems, which is more than double the net additions in the fourth quarter of 2006.

Digital Phone. Digital Phone subscribers at the end of the first quarter totaled 2.1 million, representing 12% penetration of service-ready homes passed. Digital Phone net additions were 234,000 in the first quarter. The subscribers in the Legacy Systems grew by 210,000 net additions during the first quarter compared to 208,000 in the fourth quarter of 2006, marking seven out of the past eight quarters of net additions over 200,000. The Company also continued rolling out its Digital Phone service in the Acquired Systems in the first quarter, generating 24,000 net additions compared to 3,000 in the fourth quarter of 2006.

programs. OIBDA is also a measure used by the Company's parent, Time Warner Inc. ("Time Warner"), to evaluate the Company's performance and is an important metric in the Time Warner reportable segment disclosures. Management also uses OIBDA because it provides an indication of the Company's ability to service debt and fund capital expenditures, as OIBDA removes the impact of depreciation and amortization. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. To compensate for this limitation, management evaluates the investments in such tangible and intangible assets through other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis. Additionally, OIBDA should be considered in addition to, and not as a substitute for, Operating Income, net income and other measures of financial performance reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

Free Cash Flow is a non-GAAP financial measure. The Company defines Free Cash Flow as cash provided by operating activities (as defined under GAAP) plus excess tax benefits from the exercise of stock options, less cash provided by (used by) discontinued operations, capital expenditures, partnership distributions and principal payments on capital leases. Management uses Free Cash Flow to evaluate the Company's business. It is also a significant component of the Company's annual incentive compensation programs. The Company believes this measure is an important indicator of its liquidity, including its ability to reduce net debt and make strategic investments, because it reflects the Company's operating cash flow after considering the significant capital expenditures required to operate its business. A limitation of this measure, however, is that it does not reflect payments made in connection with investments and acquisitions, which reduce liquidity. To compensate for this limitation, management evaluates such expenditures through other financial measures such as return on investment analyses. Free Cash Flow should not be considered as an alternative to net cash provided by operating activities as a measure of liquidity, and may not be comparable to similarly titled measures used by other companies.

Both OIBDA and Free Cash Flow should be considered in addition to, not as a substitute for, the Company's Operating Income, net income and various cash flow measures (e.g., cash provided by operating activities), as well as other measures of financial performance and liquidity reported in accordance with GAAP.

About Time Warner Cable

Time Warner Cable owns and manages cable systems passing approximately 26 million homes in 33 states. The Company has 14.7 million customers for its various services, including video, high-speed data and voice, which includes approximately 13.4 million basic video subscribers and more than 6 million customers who purchase more than one service. Time Warner Cable includes some of the most technologically advanced and best-clustered cable systems in the country, with nearly 85 percent of the Company's customers located in five geographic regions: New York, Texas, Ohio, the Carolinas and southern California. It is the largest cable provider in the nation's two largest cities, Los Angeles and New York. Leveraging its leadership in innovation and quality customer care, Time Warner Cable delivers advanced services such as video-on-demand, high-definition television, digital video recorders, high-speed data and Digital Phone.

Information on 2007 Business Outlook Release and Conference Call

Time Warner Cable issued a separate release today regarding its 2007 full-year business outlook. The Company's earnings conference call can be heard live at 8:30 am ET on Wednesday, May 2, 2007. To listen to the call, visit www.timewarnercable.com/investors or AOL Keyword: TWC IR.

Caution Concerning Forward-Looking Statements

This document 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 or beliefs, and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological, strategic and/or regulatory factors, sales of business assets, and the potential impact of future decisions by management that may result in merger and restructuring charges, as well as

the potential impact of any future impairment charges to goodwill or other intangible assets. More detailed information about these factors may be found in filings by Time Warner Cable Inc. with the Securities and Exchange Commission, including its Annual Report on Form 10-K and Quarterly Report on Form 10-Q. Time Warner Cable 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.

Contacts:

Corporate Communications

Mark Harrad (212) 364-8203

Alex Dudley (212) 364-8229

Investor Relations

Tom Robey (212) 364-8218

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TIME WARNER CABLE INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
(in millions)		
ASSETS		
Current assets		
Cash and equivalents	\$ 47	\$ 51
Receivables, less allowances of \$75 million in 2007 and \$73 million in 2006	564	632
Receivables from affiliated parties	57	98
Other current assets	93	77
Current assets of discontinued operations	<u>10</u>	<u>52</u>
Total current assets	771	910
Investments	684	2,072
Property, plant and equipment, net	12,123	11,601
Intangible assets subject to amortization, net	878	876
Intangible assets not subject to amortization	38,953	38,051
Goodwill	2,064	2,059
Other assets	<u>157</u>	<u>174</u>
Total assets	<u>\$ 55,630</u>	<u>\$ 55,743</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 328	\$ 516
Deferred revenue and subscriber-related liabilities	162	156
Payables to affiliated parties	179	165
Accrued programming expense	519	524
Other current liabilities	1,023	1,113
Current liabilities of discontinued operations	<u>27</u>	<u>16</u>
Total current liabilities	2,238	2,490
Long-term debt	14,142	14,428
Mandatorily redeemable preferred membership units issued by a subsidiary	300	300
Deferred income tax obligations, net	12,985	12,902
Long-term payables to affiliated parties	102	137
Other liabilities	406	296
Noncurrent liabilities of discontinued operations	2	2
Minority interests	1,644	1,624
Shareholders' equity		
Class A common stock, \$0.01 par value, 902 million shares issued and outstanding as of March 31, 2007 and December 31, 2006	9	9
Class B common stock, \$0.01 par value, 75 million shares issued and outstanding as of March 31, 2007 and December 31, 2006	1	1
Paid-in-capital	19,317	19,314
Accumulated other comprehensive loss, net	(128)	(130)
Retained earnings	<u>4,612</u>	<u>4,370</u>
Total shareholders' equity	<u>23,811</u>	<u>23,564</u>
Total liabilities and shareholders' equity	<u>\$ 55,630</u>	<u>\$ 55,743</u>

See accompanying notes.

TIME WARNER CABLE INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
	(in millions, except per share data)	
Revenues:		
Subscription:		
Video	\$ 2,504	\$ 1,574
High-speed data	894	568
Voice	<u>264</u>	<u>134</u>
Total Subscription	3,662	2,276
Advertising	<u>189</u>	<u>109</u>
Total revenues	3,851	2,385
Costs and expenses:		
Costs of revenues	1,883	1,087
Selling, general and administrative	651	437
Depreciation	649	380
Amortization	79	19
Merger-related and restructuring costs	<u>10</u>	<u>10</u>
Total costs and expenses	<u>3,272</u>	<u>1,933</u>
Operating Income	579	452
Interest expense, net	(227)	(112)
Income from equity investments, net	3	18
Minority interest expense, net	(38)	(18)
Other income, net	<u>146</u>	<u>1</u>
Income before income taxes, discontinued operations and cumulative effect of accounting change	463	341
Income tax provision	<u>(187)</u>	<u>(137)</u>
Income before discontinued operations and cumulative effect of accounting change	276	204
Discontinued operations, net of tax	—	31
Cumulative effect of accounting change, net of tax	<u>—</u>	<u>2</u>
Net income	<u>\$ 276</u>	<u>\$ 237</u>
Basic and diluted income per common share before discontinued operations and cumulative effect of accounting change	\$ 0.28	\$ 0.20
Discontinued operations	—	0.03
Cumulative effect of accounting change	<u>—</u>	<u>—</u>
Basic and diluted net income per common share	<u>\$ 0.28</u>	<u>\$ 0.23</u>
Weighted-average common shares outstanding	<u>977</u>	<u>1,000</u>

See accompanying notes.

TIME WARNER CABLE INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
	(in millions)	
OPERATING ACTIVITIES		
Net income ^(a)	\$ 276	\$ 237
Adjustments for noncash and nonoperating items:		
Cumulative effect of accounting change, net of tax	—	(2)
Depreciation and amortization	728	399
Pretax gain on sale of 50% equity interest in the Houston Pool of TKCCP	(146)	—
Income from equity investments, net of cash distributions	9	(18)
Minority interest expense, net	38	18
Deferred income taxes	136	54
Equity-based compensation	5	14
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	134	89
Accounts payable and other liabilities	(218)	(37)
Other changes	(10)	(17)
Adjustments relating to discontinued operations ^(a)	54	45
Cash provided by operating activities	1,006	782
INVESTING ACTIVITIES		
Investments and acquisitions, net of cash acquired and distributions received	57	(55)
Capital expenditures from continuing operations	(720)	(472)
Capital expenditures from discontinued operations	—	(25)
Proceeds from disposal of property, plant and equipment	3	3
Cash used by investing activities	(660)	(549)
FINANCING ACTIVITIES		
Borrowings (repayments), net ^(b)	624	(235)
Borrowings	173	—
Repayments	(1,079)	—
Excess tax benefit from exercise of stock options	3	—
Principal payments on capital leases	(1)	—
Distributions to owners, net	(10)	(10)
Other	(60)	—
Cash used by financing activities	(350)	(245)
DECREASE IN CASH AND EQUIVALENTS	(4)	(12)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	51	12
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 47	\$ —

(a) Includes income from discontinued operations of \$31 million for the three months ended March 31, 2006. After considering adjustments related to discontinued operations, net cash flows from discontinued operations were \$54 million and \$76 million for the three months ended March 31, 2007 and 2006, respectively.

(b) Borrowings (repayments), net, reflect borrowings under the Company's commercial paper program with original maturities of three months or less, net of repayments of such borrowings. Borrowings (repayments), net, also includes \$13 million of debt issuance costs for the three months ended March 31, 2006.

Note: Certain reclassifications have been made to the prior year financial information to conform to the March 31, 2007 presentation.

See accompanying notes.

TIME WARNER CABLE INC.
RECONCILIATION OF OPERATING INCOME TO
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
	(in millions)	
Operating Income	\$ 579	\$ 452
Depreciation	649	380
Amortization	79	19
Operating Income before Depreciation and Amortization	<u>\$ 1,307</u>	<u>\$ 851</u>

TIME WARNER CABLE INC.
RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO
FREE CASH FLOW
(Unaudited)

	Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
	(in millions)	
Cash provided by operating activities	\$ 1,006	\$ 782
Reconciling items:		
Discontinued operations, net of tax	—	(31)
Adjustments relating to the operating cash flow of discontinued operations	(54)	(45)
Cash provided by continuing operating activities	952	706
Add: Excess tax benefit from exercise of stock options	3	—
Less:		
Capital expenditures from continuing operations	(720)	(472)
Partnership tax distributions, stock option distributions and principal payments on capital leases of continuing operations	(11)	(10)
Free Cash Flow	<u>\$ 224</u>	<u>\$ 224</u>

TIME WARNER CABLE INC.
RECONCILIATION OF NET DEBT
(Unaudited)

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(in millions)	
Long-term debt	\$ 14,142	\$ 14,428
Debt due within one year	<u>3</u>	<u>4</u>
Total debt	14,145	14,432
Add: Mandatorily redeemable preferred membership units issued by a subsidiary	300	300
Less: Cash and equivalents	<u>(47)</u>	<u>(51)</u>
Net debt ^(a)	<u>\$ 14,398</u>	<u>\$ 14,681</u>

^(a) Net debt is defined as total debt and mandatorily redeemable preferred membership units issued by a subsidiary less cash and equivalents.

TIME WARNER CABLE INC.
RECONCILIATION OF PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(Unaudited)

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2006, presents pro forma information for the Company as if the Transactions and the consolidation of the Kansas City Pool had occurred on January 1, 2006. The unaudited pro forma information is presented based on information available, is intended for informational purposes only and is not necessarily indicative of and does not purport to represent what the Company's future financial condition or operating results will be after giving effect to the Transactions and the consolidation of the Kansas City Pool and does not reflect actions that may be undertaken by management in integrating these businesses (e.g., the cost of incremental capital expenditures). In addition, this information does not reflect financial and operating benefits the Company expects to realize as a result of the Transactions and the consolidation of the Kansas City Pool.

	<u>Historical TWC</u>	<u>Historical Adelphia</u>	<u>Comcast Historical Systems</u>	<u>Less Items Not Acquired</u>	<u>Subtotal of Net Acquired Systems</u>	<u>Pro Forma Adjustments— The Transactions</u>	<u>Consolidation of the Kansas City Pool</u>	<u>Pro Forma Adjustments— TKCCP</u>	<u>Pro Forma TWC</u>
	(in millions)								
Revenues:									
Subscription:									
Video	\$ 1,574	\$ 879	\$ 205	\$ (386)	\$ 698	\$ —	\$ 125	\$ —	\$ 2,397
High-speed data	568	211	62	(96)	177	—	40	(19)	766
Voice	134	—	20	—	20	—	12	—	166
Total Subscription	2,276	1,090	287	(482)	895	—	177	(19)	3,329
Advertising	109	60	20	(25)	55	—	9	—	173
Total revenues	2,385	1,150	307	(507)	950	—	186	(19)	3,502
Costs and expenses:									
Costs of revenues ^(a)	(1,087)	(690)	(122)	268	(544)	—	(97)	11	(1,717)
Selling, general and administrative ^(a)	(437)	(87)	(103)	59	(131)	—	(30)	(7)	(605)
Other, net	(10)	(20)	—	20	—	—	—	—	(10)
OIBDA	851	353	82	(160)	275	—	59	(15)	1,170
Depreciation	(380)	(188)	(52)	84	(156)	(13)	(29)	9	(569)
Amortization	(19)	(33)	(3)	9	(27)	(29)	—	(5)	(80)
Operating Income	<u>\$ 452</u>	<u>\$ 132</u>	<u>\$ 27</u>	<u>\$ (67)</u>	<u>\$ 92</u>	<u>\$ (42)</u>	<u>\$ 30</u>	<u>\$ (11)</u>	<u>\$ 521</u>

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

TIME WARNER CABLE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

On July 31, 2006, a subsidiary of Time Warner Cable Inc. (“TWC”), Time Warner NY Cable LLC (“TW NY”), and Comcast Corporation (together with its subsidiaries, “Comcast”) completed the acquisition of substantially all of the cable assets of Adelphia Communications Corporation (the “Adelphia Acquisition”), Comcast’s interests in TWC and Time Warner Entertainment Company, L.P. were redeemed (the “Redemptions”), and TW NY and Comcast exchanged certain cable systems (the “Exchange” and, together with the Adelphia Acquisition and the Redemptions, the “Transactions”). The cable systems transferred to Comcast in connection with the Redemptions and the Exchange (the “Transferred Systems”), including gains recognized on the transfers, have been reflected as discontinued operations for all periods presented.

2. TEXAS AND KANSAS CITY CABLE PARTNERS, L.P. JOINT VENTURE

As previously disclosed, Texas and Kansas City Cable Partners, L.P. (“TKCCP”) is a 50-50 joint venture between a consolidated subsidiary of TWC (Time Warner Entertainment-Advance/Newhouse Partnership (“TWE-A/N”)) and Comcast. On January 1, 2007, TKCCP distributed its assets to its partners. TWC received certain cable assets located in Kansas City, south and west Texas and New Mexico (the “Kansas City Pool”), which served approximately 788,000 basic video subscribers as of December 31, 2006, and Comcast received the pool of assets consisting of the Houston cable systems (the “Houston Pool”), which served approximately 795,000 basic video subscribers as of December 31, 2006. TWC began consolidating the results of the Kansas City Pool on January 1, 2007. TWC expects that TKCCP will be formally dissolved in the second quarter of 2007. For accounting purposes, TWC has treated the distribution of TKCCP’s assets as a sale of TWC’s 50% equity interest in the Houston Pool and as an acquisition of Comcast’s 50% equity interest in the Kansas City Pool. As a result of the sale of TWC’s 50% equity interest in the Houston Pool, TWC recorded a pretax gain of approximately \$146 million in the first quarter of 2007, which is included as a component of other income, net, in the consolidated statement of operations.