**Exhibit 53: AOL International Timeline**

| | |
|---|---|
| March 1, 1995: | Joint venture with Bertelsmann announced to create European online ventures |
| November 28, 1995: | AOL Germany launched |
| January 31, 1996: | AOL UK and AOL Canada launched |
| March 18, 1996: | AOL France launched |
| May 8, 1996: | Formation of AOL Japan in a joint venture with Mitsui and Nikkei |
| April 15, 1997: | AOL Japan launched |
| October 7, 1997: | AOL and Bertelsmann announced plans to launch online service in Australia |
| February 10, 1998: | AOL and CIC announced plans to launch online service in Hong Kong |
| October 7, 1998: | AOL Australia launched |
| December 15, 1998: | AOL and Cisneros Group announced Latin America joint venture |
| January 26, 1999: | AOL surpassed 3 million international AOL and CompuServe members |
| September 28, 1999: | AOL Hong Kong launched |
| October 14, 1999: | AOL Germany became the first international AOL service to surpass one million subscribers |
| November 16, 1999: | AOL Brasil launched |
| January 20, 2000: | AOL Latin America filed a registration statement with the SEC for an IPO |

Source: Company reports

In the sections that follow we provide brief descriptions of the various international Internet markets followed by projections for the AOL service in each market. There are several points worth making about the assumptions behind our projections:

1. We believe there will be greater competition among ISPs internationally due largely to: (1) the lack of a true market leader, as is the case in the U.S. (AOL); (2) a telephone fee structure in some markets allowing carriers to subsidize low-cost (and free) ISP services; and (3) earlier stage in development of the general online market, where brand loyalty and differentiated content have yet to form. Therefore, we are projecting a lower subscriber share for each of the international AOL joint ventures than the 40%–50% shares we project for AOL domestically.

2. We believe subscription services will continue to drive international revenues, at least in the near term. While we project the domestic AOL service will derive nearly 70% of its total revenues from advertising and e-commerce by 2008 (up from an estimated 25% this year), our 2008 revenue projections for most international territories call for a 40%–50% revenue contribution from advertising/e-commerce.

3. We are modeling EBITDA margin expansion to the 7%–15% range by 2003, reaching 20%–25% by 2005. Profitability gains should be driven by the company's ability to (1) leverage marketing and product development costs of its domestic service, and (2) benefit from declining carrier costs in several markets as these markets deregulate and become more open to competition.

4. We value the AOL international joint ventures on the same basis as we do the domestic service (eight-year DCF analysis). We adjust our valuations by (1) assuming a terminal growth rate 100–200 bps faster internationally (due to the relative immaturity of the markets) and adding a 50–100 bps risk premium to the assumed weighted average cost of capital.

# Canada

## Exhibit 54: AOL Canada Dial-Up Subscription Revenue Projections

| ($ millions) | 1999 | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| AOL Canada | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.305 | 0.476 | 0.836 | 1.339 | 1.832 | 2.105 | 2.209 | 2.161 | 2.008 | 1.794 |
| Gross Additions | 0.200 | 0.400 | 0.600 | 0.700 | 0.630 | 0.567 | 0.482 | 0.410 | 0.348 | 0.296 |
| Churn: | | | | | | | | | | |
| (% of Beginning Subscribers) | 9.5% | 8.5% | 11.5% | 15.5% | 19.5% | 22.0% | 24.0% | 26.0% | 28.0% | 30.0% |
| Subscribers | (0.029) | (0.040) | (0.096) | (0.208) | (0.357) | (0.463) | (0.530) | (0.562) | (0.562) | (0.538) |
| Net Additions | 0.171 | 0.360 | 0.504 | 0.492 | 0.273 | 0.104 | (0.048) | (0.152) | (0.214) | (0.242) |
| Ending | 0.476 | 0.836 | 1.339 | 1.832 | 2.105 | 2.209 | 2.161 | 2.008 | 1.794 | 1.552 |
| % Change | | 75.5% | 60.3% | 36.8% | 14.9% | 4.9% | -2.2% | -7.0% | -10.7% | -13.5% |
| Average | 0.391 | 0.656 | 1.088 | 1.586 | 1.968 | 2.157 | 2.185 | 2.084 | 1.901 | 1.673 |
| x Average Monthly Subscription Rate | $17.00 | $16.15 | $15.02 | $13.97 | $12.57 | $11.31 | $10.18 | $9.16 | $8.25 | $7.42 |
| % Change | 0.0% | -5.0% | -7.0% | -7.0% | -10.0% | -10.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Total AOL Subscription Revenues | 79.7 | 127.1 | 196.0 | 265.8 | 296.9 | 292.8 | 266.9 | 229.2 | 188.2 | 149.0 |
| % Change | | 59.5% | 54.2% | 35.6% | 11.7% | -1.4% | -8.8% | -14.1% | -17.9% | -20.8% |
| CompuServe Canada: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.045 | 0.055 | 0.070 | 0.086 | 0.292 | 0.432 | 0.513 | 0.539 | 0.536 | 0.514 |
| Gross Additions | 0.014 | 0.020 | 0.025 | 0.220 | 0.198 | 0.178 | 0.151 | 0.129 | 0.109 | 0.093 |
| Churn: | | | | | | | | | | |
| (% of Beginning Subscribers) | 10.0% | 9.0% | 12.0% | 16.0% | 20.0% | 22.5% | 24.5% | 24.5% | 24.5% | 24.5% |
| Subscribers | (0.005) | (0.005) | (0.008) | (0.014) | (0.058) | (0.097) | (0.126) | (0.132) | (0.131) | (0.126) |
| Net Additions | 0.010 | 0.015 | 0.017 | 0.206 | 0.140 | 0.081 | 0.026 | (0.003) | (0.022) | (0.033) |
| Ending | 0.055 | 0.070 | 0.086 | 0.292 | 0.432 | 0.513 | 0.539 | 0.536 | 0.514 | 0.481 |
| % Change | | 27.7% | 23.9% | 239.1% | 47.7% | 18.8% | 5.0% | -0.6% | -4.1% | -6.4% |
| Average | 0.050 | 0.062 | 0.078 | 0.189 | 0.362 | 0.472 | 0.526 | 0.537 | 0.525 | 0.497 |
| x Average Monthly Subscription Rate | $15.00 | $14.55 | $14.11 | $13.41 | $12.47 | $11.47 | $10.32 | $9.29 | $8.36 | $7.53 |
| % Change | 1.0% | -3.0% | -3.0% | -5.0% | -7.0% | -8.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Total CompuServe Subscription Revenues | 9.0 | 10.8 | 13.2 | 30.5 | 54.2 | 65.0 | 65.2 | 59.9 | 52.6 | 44.9 |
| % Change | | 21.0% | 21.8% | 130.9% | 77.9% | 20.0% | 0.2% | -8.1% | -12.1% | -14.7% |

Source: Credit Lyonnais Securities estimates

## Exhibit 55: AOL Canada Broadband Subscription Revenue Projections

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Broadband AOL PC | | | | | | | | | | |
| Canadian HHs Passed by Cable | | 8.0 | 8.2 | 8.4 | 8.6 | 8.7 | 8.8 | 8.9 | 9.0 | 9.1 |
| % Affiliated with AOL | | 5.0% | 7.0% | 12.0% | 50.0% | 65.0% | 75.0% | 80.0% | 83.0% | 85.0% |
| AOL-Affiliated HHs Passed | | 0.4 | 0.6 | 1.0 | 4.3 | 5.7 | 6.6 | 7.1 | 7.5 | 7.7 |
| Percent Upgraded for HSD | | 60.0% | 70.0% | 80.0% | 85.0% | 90.0% | 92.0% | 93.0% | 94.0% | 95.0% |
| Upgraded MSO Universe | | 0.2 | 0.4 | 0.8 | 3.7 | 5.1 | 6.1 | 6.6 | 7.0 | 7.3 |
| Subscribers | | | | | | | | | | |
| Beginning | | 0.000 | 0.000 | 0.012 | 0.056 | 0.366 | 0.665 | 0.975 | 1.195 | 1.476 |
| Additions | | 0.002 | 0.012 | 0.044 | 0.310 | 0.299 | 0.310 | 0.220 | 0.282 | 0.177 |
| Ending | | 0.002 | 0.012 | 0.056 | 0.366 | 0.665 | 0.975 | 1.195 | 1.476 | 1.653 |
| Average | | 0.001 | 0.006 | 0.034 | 0.211 | 0.516 | 0.820 | 1.085 | 1.335 | 1.565 |
| % Penetration of Upgraded MSO Homes Passed | | 1.0% | 3.0% | 7.0% | 10.0% | 13.0% | 16.0% | 18.0% | 21.0% | 22.5% |
| Average Monthly Subscription Fee | | $39.95 | $38.75 | $36.81 | $34.24 | $31.50 | $28.35 | $25.51 | $22.96 | $20.67 |
| % Change | | | -3.0% | -5.0% | -7.0% | -8.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Total Subscription Annual Suscription Payments | | 0.6 | 2.8 | 15.1 | 86.8 | 194.9 | 279.0 | 332.1 | 367.9 | 388.0 |
| **x 30% = AOL Cable Modem Broadband PC Revenues** | | **0.2** | **0.8** | **4.5** | **26.0** | **58.5** | **83.7** | **99.6** | **110.4** | **116.4** |
| % Change | | | 387.2% | 440.1% | 473.5% | 124.5% | 43.1% | 19.1% | 10.8% | 5.5% |
| AOL DSL Canada: | | | | | | | | | | |
| Canadian HHs | | 10.0 | 10.1 | 10.2 | 10.3 | 10.4 | 10.5 | 10.6 | 10.7 | 10.8 |
| % Coverage via Bell Nexxia | | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% |
| Bell Nexxia Coverage | | 9.0 | 9.1 | 9.2 | 9.3 | 9.4 | 9.5 | 9.6 | 9.6 | 9.7 |
| % DSL Coverage | | 25.0% | 45.0% | 60.0% | 70.0% | 75.0% | 80.0% | 83.0% | 85.0% | 87.0% |
| DSL Homes Passed | | 2.3 | 4.1 | 5.5 | 6.5 | 7.0 | 7.6 | 7.9 | 8.2 | 8.5 |
| Subscribers | | | | | | | | | | |
| Beginning | | 0.000 | 0.000 | 0.072 | 0.179 | 0.406 | 0.667 | 0.889 | 1.051 | 1.210 |
| Additions | | 0.023 | 0.072 | 0.107 | 0.227 | 0.262 | 0.222 | 0.162 | 0.159 | 0.126 |
| Ending | | 0.023 | 0.072 | 0.179 | 0.406 | 0.667 | 0.889 | 1.051 | 1.210 | 1.335 |
| Average | | 0.011 | 0.036 | 0.125 | 0.292 | 0.536 | 0.778 | 0.970 | 1.130 | 1.273 |
| % Penetration of DSL Homes Passed | | 1.0% | 1.8% | 3.3% | 6.3% | 9.5% | 11.8% | 13.3% | 14.8% | 15.8% |
| Average Monthly Subscription Fee | | $42.00 | $40.74 | $38.70 | $35.99 | $33.11 | $29.80 | $26.82 | $24.14 | $21.73 |
| % Change | | | -3.0% | -5.0% | -7.0% | -8.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Total Subscription Annual Suscription Payments | | 5.7 | 17.5 | 58.2 | 126.3 | 213.2 | 278.3 | 312.2 | 327.4 | 331.8 |
| **x 30% = AOL DSL Broadband PC Revenues** | | **1.7** | **5.2** | **17.5** | **37.9** | **64.0** | **83.5** | **93.7** | **98.2** | **99.5** |
| % Change | | | 208.6% | 232.6% | 117.0% | 68.8% | 30.6% | 12.2% | 4.9% | 1.3% |
| AOL TV: | | | | | | | | | | |
| Internet-TV Households (CLS estimates and Next Century Media) | | 0.5 | 0.8 | 1.2 | 1.6 | 2.3 | 3.2 | 3.9 | 4.5 | 4.9 |
| % of TV Households | | 5.0% | 8.0% | 12.0% | 16.0% | 22.0% | 30.0% | 37.0% | 42.0% | 45.0% |
| AOL TV: | | | | | | | | | | |
| Subscribers: | | | | | | | | | | |
| Beginning | | 0.000 | 0.008 | 0.032 | 0.086 | 0.247 | 0.435 | 0.662 | 0.903 | 1.081 |
| Additions | | 0.100 | 0.025 | 0.053 | 0.162 | 0.188 | 0.227 | 0.241 | 0.177 | 0.089 |
| Ending | | 0.008 | 0.032 | 0.086 | 0.247 | 0.435 | 0.662 | 0.903 | 1.081 | 1.169 |
| Average | | 0.004 | 0.020 | 0.059 | 0.166 | 0.341 | 0.549 | 0.783 | 0.992 | 1.125 |
| % of Total Canadian Internet-TV Households | | 1.5% | 4.0% | 7.0% | 15.0% | 19.0% | 21.0% | 23.0% | 24.0% | 24.0% |
| Average Monthly Subscription Fee | | $30.00 | $30.00 | $28.50 | $27.08 | $25.72 | $24.44 | $22.72 | $21.13 | $19.65 |
| Total Subscription Annual Suscription Payments | | 1.4 | 7.2 | 20.2 | 54.1 | 105.3 | 160.8 | 213.5 | 251.6 | 265.4 |
| **x 30% = AOL TV Revenues** | | **0.4** | **2.2** | **6.1** | **16.2** | **31.6** | **48.3** | **64.0** | **75.5** | **79.6** |
| % Change | | | 430.9% | 181.5% | 168.0% | 94.7% | 52.8% | 32.7% | 17.9% | 5.5% |
| **Consolidated Company-Wide Subscription Revenues** | **88.6** | **140.2** | **217.4** | **324.3** | **431.3** | **511.9** | **547.5** | **546.5** | **524.9** | **489.5** |
| % Change | | 58.2% | 55.1% | 49.1% | 33.0% | 18.7% | 7.0% | -0.2% | -3.9% | -6.7% |
| Total Ending Subscribers | | | | | | | | | | |
| Dial-Up AOL | 0.4 | 0.7 | 1.1 | 1.6 | 2.0 | 2.2 | 2.2 | 2.1 | 1.9 | 1.7 |
| Dial-Up CompuServe | 0.0 | 0.1 | 0.1 | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| AOL Broadband PC | 0.0 | 0.0 | 0.1 | 0.2 | 0.8 | 1.3 | 1.9 | 2.2 | 2.7 | 3.0 |
| AOL Broadband TV | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.4 | 0.7 | 0.9 | 1.1 | 1.2 |
| **Total Subscribers** | **0.4** | **0.7** | **1.3** | **2.1** | **3.3** | **4.4** | **5.2** | **5.8** | **6.2** | **6.3** |
| % Change | | 65.3% | 76.1% | 63.6% | 59.8% | 31.3% | 19.1% | 10.2% | 7.3% | 2.2% |

Source: Credit Lyonnais Securities estimates

## Exhibit 56: AOL Canada Advertising and E-Commerce Revenue Projections

| ($ millions) | 1999 | 2000 | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.440 | 0.734 | 1.227 | 1.994 | 3.001 | 4.022 | 4.857 | 5.459 | 5.884 | 6.133 |
| x Average Monthly User Sessions per Average Subscriber | 11.0 | 11.9 | 12.8 | 13.9 | 14.5 | 15.3 | 16.0 | 16.8 | 17.7 | 18.6 |
| x Average Page Views per Session | 9.0 | 9.5 | 9.9 | 10.4 | 10.9 | 11.4 | 11.8 | 12.3 | 12.8 | 13.3 |
| x 12 = Total Page Views in AOL/CompuServe Subscription Areas | 523.0 | 988.9 | 1,874.8 | 3,453.7 | 5,731.1 | 8,389.4 | 11,062.9 | 13,577.5 | 15,979.6 | 18,188.9 |
| Non-Subscription Areas | | | | | | | | | | |
| Aggregate Average Monthly Unique Visitors | 3.0 | 3.2 | 3.5 | 3.8 | 4.1 | 4.3 | 4.6 | 4.8 | 5.1 | 5.3 |
| x Average Monthly User Sessions per Unique Visitor | 3.3 | 3.4 | 3.6 | 3.9 | 4.1 | 4.3 | 4.5 | 4.7 | 4.9 | 5.2 |
| x Average Page Views per Session | 7.0 | 7.6 | 7.9 | 8.3 | 8.8 | 9.1 | 9.5 | 9.8 | 10.2 | 10.6 |
| x 12 = Total Page Views in Non-Subscriber Areas | 819.0 | 1,003.0 | 1,194.3 | 1,462.7 | 1,741.7 | 2,016.0 | 2,333.6 | 2,675.7 | 3,067.9 | 3,517.7 |
| Total AOL Page Views | 1,342.0 | 1,991.9 | 3,069.1 | 4,916.5 | 7,472.8 | 10,405.4 | 13,396.4 | 16,253.2 | 19,047.5 | 21,706.6 |
| x Advertising Revenues Per Page View (+10% Yr) | $5.00 | $6.50 | $8.13 | $9.75 | $11.70 | $13.46 | $14.53 | $15.69 | $16.95 | $18.31 |
| **Total Advertising Revenues** | **6.7** | **12.9** | **24.9** | **47.9** | **87.4** | **140.0** | **194.7** | **255.1** | **322.8** | **397.3** |
| % Change | | 93.0% | 92.6% | 92.2% | 82.4% | 60.1% | 39.0% | 31.0% | 26.6% | 23.1% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.2% | 0.2% | 0.3% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% |
| Page Views on Commerce Sites | 2.0 | 4.0 | 7.7 | 14.7 | 26.2 | 41.6 | 60.3 | 81.3 | 104.8 | 130.2 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.4 | 0.8 | 1.6 | 3.3 | 6.1 | 10.2 | 15.4 | 21.5 | 28.8 | 37.1 |
| x Average Purchase/Download Price | $25.00 | $26.00 | $26.78 | $27.58 | $28.41 | $29.26 | $30.14 | $31.05 | $31.98 | $32.94 |
| = Total E-Commerce Purchases ($ millions) | 10.1 | 21.2 | 44.2 | 91.5 | 174.6 | 298.4 | 463.3 | 668.6 | 921.2 | 1,222.5 |
| x AOL Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= AOL E-Commerce Fees** | **1.0** | **2.1** | **4.4** | **9.2** | **17.5** | **29.8** | **46.3** | **66.9** | **92.1** | **122.3** |
| % Change | | 111.0% | 108.0% | 107.2% | 90.8% | 70.9% | 55.3% | 44.3% | 37.8% | 32.7% |
| **Total Advertising and E-Commerce Fees** | **7.7** | **15.1** | **29.4** | **57.1** | **104.9** | **169.8** | **241.0** | **321.9** | **415.0** | **519.6** |
| % Change | | 95.3% | 94.8% | 94.5% | 83.7% | 61.9% | 41.9% | 33.6% | 28.9% | 25.2% |

Source: Credit Lyonnais Securities estimates

## Exhibit 57: AOL Canada Income Statement Projections

| | 1999 | 2000 | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | | | | | | | | | | |
| Dial-Up AOL | 79.7 | 127.1 | 196.0 | 265.8 | 296.9 | 292.8 | 266.9 | 229.2 | 188.2 | 149.0 |
| Dial-Up CompuServe | 9.0 | 10.8 | 13.2 | 30.5 | 54.2 | 65.0 | 65.2 | 59.9 | 52.6 | 44.9 |
| Cable AOL Plus | 0.0 | 0.2 | 0.8 | 4.5 | 26.0 | 58.5 | 83.7 | 99.6 | 110.4 | 116.4 |
| DSL AOL Plus | 0.0 | 1.7 | 5.2 | 17.5 | 37.9 | 64.0 | 83.5 | 93.7 | 98.2 | 99.5 |
| AOL TV | 0.0 | 0.4 | 2.2 | 6.1 | 16.2 | 31.6 | 48.3 | 64.0 | 75.5 | 79.6 |
| Total Subscription Revenues | 88.6 | 140.2 | 217.4 | 324.3 | 431.3 | 511.9 | 547.5 | 546.5 | 524.9 | 489.5 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 6.7 | 12.9 | 24.9 | 47.9 | 87.4 | 140.0 | 194.7 | 255.1 | 322.8 | 397.3 |
| E-Commerce | 1.0 | 2.1 | 4.4 | 9.2 | 17.5 | 29.8 | 46.3 | 66.9 | 92.1 | 122.3 |
| Total Advertising and E-Commerce Fees | 7.7 | 15.1 | 29.4 | 57.1 | 104.9 | 169.8 | 241.0 | 321.9 | 415.0 | 519.6 |
| **Total Consolidated AOL Canada Revenues** | **96.3** | **155.3** | **246.8** | **381.4** | **536.2** | **681.7** | **788.5** | **868.4** | **939.9** | **1,009.1** |
| % Change | | 61.2% | 58.9% | 54.5% | 40.6% | 27.1% | 15.7% | 10.1% | 8.2% | 7.4% |
| Costs of Revenues | (62.6) | (96.3) | (145.6) | (217.4) | (297.6) | (368.1) | (415.9) | (447.2) | (474.6) | (499.5) |
| Gross Profit | 33.7 | 59.0 | 101.2 | 164.0 | 238.6 | 313.6 | 372.6 | 421.2 | 465.2 | 509.6 |
| % Margin | 35.0% | 38.0% | 41.0% | 43.0% | 44.5% | 46.0% | 47.3% | 48.5% | 49.5% | 50.5% |
| % Change | | 75.0% | 71.5% | 62.1% | 45.5% | 31.4% | 18.8% | 13.0% | 10.5% | 9.5% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (19.8) | (29.7) | (44.7) | (65.4) | (71.9) | (79.1) | (87.0) | (94.0) | (101.5) | (109.7) |
| Sales and Marketing per Average Analog Subscriber | ($45.00) | ($40.50) | ($36.45) | ($32.81) | ($27.88) | ($23.70) | ($22.04) | ($20.94) | ($20.31) | ($19.91) |
| Product Development | (10.1) | (12.4) | (16.0) | (19.1) | (21.4) | (22.2) | (21.7) | (19.5) | (16.4) | (12.6) |
| General and Administrative | (14.5) | (17.3) | (19.4) | (21.4) | (23.5) | (25.8) | (27.7) | (29.3) | (31.1) | (32.9) |
| Total | (44.4) | (59.5) | (80.2) | (105.8) | (116.9) | (127.1) | (136.4) | (142.9) | (149.1) | (155.2) |
| **EBITDA** | **(10.7)** | **(0.5)** | **21.0** | **58.2** | **121.7** | **186.4** | **236.2** | **278.3** | **316.2** | **354.4** |
| % Margin | -11.1% | -0.3% | 8.5% | 15.3% | 22.7% | 27.3% | 30.0% | 32.0% | 33.6% | 35.1% |
| % Change | | | -4416.1% | 177.1% | 109.2% | 53.2% | 26.7% | 17.8% | 13.6% | 12.1% |
| Depreciation and Amortization | (5.9) | (10.7) | (16.3) | (22.1) | (27.0) | (29.2) | (30.2) | (31.3) | (32.3) | (33.0) |
| **Operating Income** | **(16.6)** | **(11.2)** | **4.7** | **36.1** | **94.7** | **157.2** | **206.0** | **247.0** | **283.9** | **321.4** |
| % Margin | -17.2% | -7.2% | 1.9% | 9.5% | 17.7% | 23.1% | 26.1% | 28.4% | 30.2% | 31.8% |
| % Change | | -32.6% | -142.0% | 669.7% | 162.6% | 66.1% | 31.0% | 19.9% | 15.0% | 13.2% |
| Net Interest Expense | (1.4) | 0.6 | (0.7) | (0.5) | 2.4 | 8.7 | 18.5 | 31.1 | 46.4 | 64.4 |
| **Pretax Income** | **(17.9)** | **(10.6)** | **3.9** | **35.5** | **97.1** | **165.9** | **224.5** | **278.0** | **330.3** | **385.8** |
| % Margin | -18.6% | -6.8% | 1.6% | 9.3% | 18.1% | 24.3% | 28.5% | 32.0% | 35.1% | 38.2% |
| % Change | | -40.9% | -137.2% | 802.0% | 173.2% | 71.0% | 35.3% | 23.9% | 18.8% | 16.8% |

Source: Credit Lyonnais Securities estimates

## Exhibit 58: AOL Canada Margin Analysis

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Margin | 35.0% | 38.0% | 41.0% | 43.0% | 44.5% | 46.0% | 47.3% | 48.5% | 49.5% | 50.5% |
| Operating Costs as a % of Revenues | | | | | | | | | | |
| Sales and Marketing | 20.6% | 19.1% | 18.1% | 17.1% | 13.4% | 11.6% | 11.0% | 10.8% | 10.8% | 10.9% |
| Product Development | 10.5% | 8.0% | 6.5% | 5.0% | 4.0% | 3.3% | 2.8% | 2.3% | 1.8% | 1.3% |
| General and Administrative | 15.0% | 11.2% | 7.9% | 5.6% | 4.4% | 3.8% | 3.5% | 3.4% | 3.3% | 3.3% |
| Total | 46.1% | 38.3% | 32.5% | 27.7% | 21.8% | 18.7% | 17.3% | 16.5% | 15.9% | 15.4% |
| **EBITDA Margin** | **-11.1%** | **-0.3%** | **8.5%** | **15.3%** | **22.7%** | **27.3%** | **30.0%** | **32.0%** | **33.6%** | **35.1%** |

Source: Credit Lyonnais Securities estimates

## Exhibit 59: AOL Canada Cash Flow Projections

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (17.9) | (10.6) | 3.9 | 35.5 | 97.1 | 165.9 | 224.5 | 278.0 | 330.3 | 385.8 |
| Depreciation and Amortization | 5.9 | 10.7 | 16.3 | 22.1 | 27.0 | 29.2 | 30.2 | 31.3 | 32.3 | 33.0 |
| **After-Tax Cash Flow** | **(12.0)** | **0.1** | **20.2** | **57.6** | **124.1** | **195.2** | **254.7** | **309.4** | **362.6** | **418.8** |
| Capital Spending | (22.5) | (28.1) | (33.8) | (38.8) | (35.0) | (30.0) | (30.0) | (30.0) | (30.0) | (30.0) |
| **Free Cash Flow** | **(34.5)** | **(28.0)** | **(13.5)** | **18.8** | **89.1** | **165.2** | **224.7** | **279.4** | **332.6** | **388.8** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | 25.5 | (2.6) | (16.1) | 2.7 | 91.8 | 257.0 | 481.6 | 761.0 | 1,093.5 |
| Ending | (34.5) | (2.6) | (16.1) | 2.7 | 91.8 | 257.0 | 481.6 | 761.0 | 1,093.5 | 1,482.3 |
| Average | (17.3) | 11.4 | (9.3) | (6.7) | 47.3 | 174.4 | 369.3 | 621.3 | 927.3 | 1,287.9 |

Source: Credit Lyonnais Securities estimates

## Exhibit 60: AOL Canada Depreciation Schedule

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 7.0 | 28.1 | 50.6 | 74.2 | 98.2 | 113.6 | 120.8 | 126.7 | 131.3 | 135.1 |
| Capital Spending | 22.5 | 28.1 | 33.8 | 38.8 | 35.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (5.9) | (10.7) | (16.3) | (22.1) | (27.0) | (29.2) | (30.2) | (31.3) | (32.3) | (33.0) |

Source: Credit Lyonnais Securities estimates

**Exhibit 61: AOL Canada DCF Valuation**

| ($ millions) | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Free Cash Flow | (34.5) | (28.0) | (13.5) | 18.8 | 89.1 | 165.2 | 224.7 | 279.4 | 332.6 | 388.8 |
| Add: After-Tax Interest (0 if Average Net Cash Position) | 1.4 | 0.0 | 0.7 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow to Firm (FCFF)** | **(33.2)** | **(28.0)** | **(12.8)** | **19.4** | **89.1** | **165.2** | **224.7** | **279.4** | **332.6** | **388.8** |
| % Change | | | | | 360.2% | 85.4% | 36.0% | 24.4% | 19.0% | 16.9% |
| Assumptions: | | | | | | | | | | |
| Terminal Growth Rate | 11.5% | | | | | | | | | |
| WACC | 14.1% | | | | | | | | | |
| Terminal | 38.5x | | | | | | | | | |
| Years to Discount | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | | 0 | 1 | 2 | 3 | 4 |
| | | | | | | | 0 | 1 | 2 | 3 |
| | | | | | | | | 0 | 1 | 2 |
| | | | | | | | | | 0 | 1 |
| | | | | | | | | | | 0 |
| Present Value of FCFF | (33.2) | (24.6) | (9.8) | 13.1 | 52.7 | 85.8 | 102.3 | 111.6 | 116.6 | 119.6 |
| | | (28.0) | (11.2) | 14.9 | 60.1 | 97.8 | 116.7 | 127.3 | 132.9 | 136.3 |
| | | | (12.8) | 17.0 | 68.5 | 111.5 | 133.0 | 145.1 | 151.5 | 155.4 |
| | | | | 19.4 | 78.1 | 127.1 | 151.6 | 165.4 | 172.7 | 177.1 |
| | | | | | 89.1 | 144.9 | 172.9 | 188.6 | 196.9 | 201.9 |
| | | | | | | 165.2 | 197.1 | 215.0 | 224.5 | 230.2 |
| | | | | | | | 224.7 | 245.1 | 255.9 | 262.4 |
| | | | | | | | | 279.4 | 291.7 | 299.2 |
| | | | | | | | | | 332.6 | 341.0 |
| | | | | | | | | | | 388.8 |
| Sum of Present Value or FCFF Stream | 534.1 | 646.7 | 769.2 | 891.5 | 994.2 | 1,031.8 | 988.0 | 870.2 | 673.6 | 388.8 |
| Present Value of Terminal Value | 5,039.8 | 5,745.3 | 6,549.7 | 7,466.6 | 8,511.9 | 9,703.6 | 11,062.1 | 12,610.8 | 14,376.3 | 16,389.0 |
| Ending Net Cash (Debt) | (34.5) | (2.6) | (16.1) | 2.7 | 91.8 | 257.0 | 481.6 | 761.0 | 1,093.5 | 1,482.3 |
| **Net Present Value** | **5,539.3** | **6,389.5** | **7,302.8** | **8,360.8** | **9,597.9** | **10,992.4** | **12,531.8** | **14,242.0** | **16,143.5** | **18,260.1** |
| % Change | | 15.3% | 14.3% | 14.5% | 14.8% | 14.5% | 14.0% | 13.6% | 13.4% | 13.1% |

Source: Credit Lyonnais Securities estimates

# Europe

Growth of the Internet in Europe has been relatively uneven thus far due to cultural, regulatory, and economic differences among its countries. The most highly penetrated European markets thus far are located in the western and northern areas of the continent. We attribute this to: (1) a more competitive telecommunications environment, allowing for lower access; (2) wealth distribution skewed to the north and west; and (3) generally earlier acceptance of technology in the north. For example, according to the Computer Industry Almanac, Sweden is the most highly penetrated country in the world, with an estimated 43.3% of the country's population online in 1999.

Most of the available literature puts the stage of development of the Internet in Europe 2–3 years behind that in the U.S. Most projections call for growth in European Internet usage, advertising and e-commerce to outpace that in the U.S. over the next five years, due primarily to continued communications cost decreases, greater access to capital (both venture capital and public equity activity has picked up dramatically over the past year) and the proliferation of access devices. PC prices in several European markets are below those in the U.S., and wireless access and interactive TV-based Internet access have already gained momentum in Europe.

We present our AOL Europe projections below. Due mostly to domestic competitors which are aligned with telephony carriers, AOL has not yet been able to attain a dominant position in Europe. For example, AOL UK was overtaken as the leading British ISP by FreeServe only four months after launch of its free service. While AOL has countered with a value brand in Netscape, the FreeServe example shows how tenuous the competitive

landscape is in Europe. In its largest European market, AOL is currently significantly behind the T-Online service of Deutsche Telekom (over 3 million subscribers for T-Online versus just over 1 million for AOL Germany).

**Exhibit 62: AOL Europe Subscriber Projections**

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Year-end Subscribers | | | | | | | | | | |
| Germany | 0.953 | 1.353 | 1.853 | 2.553 | 3.253 | 3.753 | 4.153 | 4.453 | 4.753 | 5.053 |
| UK | | | | | | | | | | |
| AOL | 0.795 | 1.195 | 1.695 | 2.095 | 2.445 | 2.745 | 3.045 | 3.295 | 3.545 | 3.795 |
| Netscape | 0.000 | 0.350 | 0.700 | 1.050 | 1.400 | 1.750 | 2.100 | 2.450 | 2.800 | 3.150 |
| France | 0.465 | 0.865 | 1.265 | 1.665 | 2.015 | 2.315 | 2.615 | 2.865 | 3.115 | 3.365 |
| Other Europe Territories | 0.150 | 0.300 | 0.700 | 1.300 | 1.900 | 2.440 | 2.926 | 3.363 | 3.757 | 4.111 |
| CompuServe (Europe Only) | 0.825 | 0.925 | 1.015 | 1.096 | 1.169 | 1.227 | 1.274 | 1.311 | 1.341 | 1.365 |
| **Total AOL Europe Subscribers** | **3.188** | **4.988** | **7.228** | **9.759** | **12.181** | **14.230** | **16.112** | **17.737** | **19.311** | **20.839** |
| Proportionate Subscribers | | | | | | | | | | |
| Germany | 0.857 | 1.217 | 1.667 | 2.297 | 2.927 | 3.377 | 3.737 | 4.007 | 4.277 | 4.547 |
| UK | | | | | | | | | | |
| AOL | 0.795 | 1.195 | 1.695 | 2.095 | 2.445 | 2.745 | 3.045 | 3.295 | 3.545 | 3.795 |
| Netscape | 0.000 | 0.350 | 0.700 | 1.050 | 1.400 | 1.750 | 2.100 | 2.450 | 2.800 | 3.150 |
| France | 0.209 | 0.389 | 0.569 | 0.749 | 0.907 | 1.042 | 1.177 | 1.289 | 1.402 | 1.514 |
| Other Europe Territories | 0.150 | 0.300 | 0.700 | 1.300 | 1.900 | 2.440 | 2.926 | 3.363 | 3.757 | 4.111 |
| CompuServe (Europe Only) | 0.825 | 0.925 | 1.015 | 1.096 | 1.169 | 1.227 | 1.274 | 1.311 | 1.341 | 1.365 |
| **Total AOL Europe Subscribers** | **2.837** | **4.377** | **6.347** | **8.588** | **10.748** | **12.581** | **14.259** | **15.716** | **17.122** | **18.483** |

Source: Credit Lyonnais Securities estimates

## Exhibit 63: AOL Europe Proportionate Projection Summary

| ($ millions) | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| UK | 207.5 | 334.8 | 535.8 | 782.1 | 1,046.6 | 1,311.3 | 1,605.9 | 1,953.3 | 2,358.8 | 2,857.9 |
| Germany (90%) | 222.4 | 306.9 | 423.6 | 546.9 | 702.8 | 865.7 | 1,020.0 | 1,186.0 | 1,379.4 | 1,616.6 |
| France (45%, includes CompuServe France) | 32.0 | 62.0 | 100.9 | 140.4 | 180.0 | 216.5 | 251.9 | 290.3 | 330.6 | 380.4 |
| Other Europe | 46.3 | 89.0 | 199.3 | 401.3 | 647.6 | 885.8 | 1,110.2 | 1,339.0 | 1,570.8 | 1,817.6 |
| CompuServe Europe | 229.9 | 281.2 | 325.0 | 363.8 | 390.7 | 413.4 | 434.0 | 456.8 | 472.0 | 491.4 |
| **Total Consolidated AOL Europe Revenues** | **738.1** | **1,073.9** | **1,584.6** | **2,234.6** | **2,967.7** | **3,692.6** | **4,422.0** | **5,225.5** | **6,111.6** | **7,163.9** |
| % Change | | 45.5% | 47.6% | 41.0% | 32.8% | 24.4% | 19.8% | 18.2% | 17.0% | 17.2% |
| EBITDA: | | | | | | | | | | |
| UK | (7.4) | (3.8) | 28.4 | 86.1 | 165.9 | 262.2 | 381.1 | 522.4 | 700.7 | 933.6 |
| Germany (90%) | 9.8 | 14.0 | 41.7 | 72.2 | 118.4 | 175.5 | 236.1 | 309.5 | 397.6 | 509.8 |
| France (45%, includes CompuServe France) | (2.8) | (0.0) | 6.4 | 16.3 | 28.7 | 41.2 | 55.2 | 72.3 | 90.3 | 113.6 |
| Other Europe | (4.0) | (2.4) | 8.7 | 37.4 | 82.0 | 129.7 | 183.0 | 246.0 | 317.7 | 401.3 |
| CompuServe Europe | 9.7 | 29.1 | 44.6 | 61.3 | 75.3 | 90.6 | 102.1 | 115.3 | 126.0 | 139.0 |
| **Total Consolidated AOL Europe EBITDA** | **5.3** | **36.9** | **129.9** | **273.3** | **470.3** | **699.2** | **957.6** | **1,265.6** | **1,632.4** | **2,097.3** |
| % Margin | 0.7% | 3.4% | 8.2% | 12.2% | 15.8% | 18.9% | 21.7% | 24.2% | 26.7% | 29.3% |
| % Change | | 594.4% | 251.5% | 110.4% | 72.1% | 48.7% | 37.0% | 32.2% | 29.0% | 28.5% |
| Operating Income: | | | | | | | | | | |
| UK | (43.6) | (42.2) | (17.3) | 32.0 | 103.7 | 194.4 | 308.9 | 446.7 | 622.1 | 852.8 |
| Germany (90%) | (27.0) | (27.4) | (7.5) | 17.8 | 62.0 | 116.9 | 175.7 | 247.7 | 334.7 | 446.0 |
| France (45%, includes CompuServe France) | (4.9) | (3.2) | 1.0 | 9.1 | 21.0 | 32.9 | 46.4 | 63.1 | 80.8 | 103.8 |
| Other Europe | (20.7) | (18.2) | (8.6) | 17.4 | 61.8 | 109.0 | 161.8 | 224.5 | 295.9 | 379.3 |
| CompuServe Europe | (7.6) | 6.4 | 18.1 | 33.2 | 47.2 | 61.9 | 72.9 | 85.7 | 96.0 | 108.8 |
| **Total Consolidated AOL Europe Operating Income** | **(103.8)** | **(84.6)** | **(14.2)** | **109.5** | **295.7** | **515.1** | **765.8** | **1,067.6** | **1,429.6** | **1,890.6** |
| % Margin | -14.1% | -7.9% | -0.9% | 4.9% | 10.0% | 13.9% | 17.3% | 20.4% | 23.4% | 26.4% |
| % Change | | -18.5% | -83.2% | -868.9% | 170.1% | 74.2% | 48.7% | 39.4% | 33.9% | 32.2% |
| Net Income: | | | | | | | | | | |
| UK | (45.2) | (47.8) | (27.1) | 20.3 | 95.3 | 196.0 | 323.2 | 481.0 | 685.7 | 957.7 |
| Germany (90%) | (28.0) | (31.0) | (13.1) | 12.4 | 60.4 | 121.0 | 188.3 | 272.6 | 376.7 | 511.1 |
| France (45%, includes CompuServe France) | (5.2) | (4.3) | (0.8) | 7.3 | 20.1 | 33.7 | 49.2 | 68.9 | 90.6 | 118.8 |
| Other Europe | (21.2) | (19.9) | (11.8) | 14.1 | 61.6 | 113.3 | 173.4 | 246.7 | 332.7 | 435.4 |
| CompuServe Europe | (8.8) | 3.7 | 15.4 | 32.3 | 48.7 | 66.4 | 81.3 | 98.8 | 114.6 | 133.8 |
| **Total Consolidated AOL Europe Net Income** | **(108.4)** | **(99.2)** | **(37.3)** | **86.4** | **286.2** | **530.3** | **815.4** | **1,167.9** | **1,600.4** | **2,156.8** |
| % Margin | -14.7% | -9.2% | -2.4% | 3.9% | 9.6% | 14.4% | 18.4% | 22.3% | 26.2% | 30.1% |
| % Change | | -8.5% | -62.4% | -331.5% | 231.3% | 85.3% | 53.8% | 43.2% | 37.0% | 34.8% |
| Free Cash Flow: | | | | | | | | | | |
| UK | (40.1) | (59.6) | (45.7) | (0.5) | 82.5 | 188.7 | 320.4 | 481.7 | 689.3 | 963.6 |
| Germany (90%) | (25.9) | (36.8) | (15.6) | 21.8 | 71.8 | 134.6 | 203.7 | 289.4 | 394.6 | 529.9 |
| France (45%, includes CompuServe France) | (7.9) | (10.4) | (7.4) | 5.5 | 18.8 | 33.0 | 49.0 | 69.1 | 91.1 | 119.6 |
| Other Europe | (12.9) | (17.4) | (18.3) | 14.9 | 62.7 | 114.9 | 175.5 | 249.1 | 335.4 | 438.3 |
| CompuServe Europe | (28.8) | (40.9) | (17.3) | 24.2 | 79.7 | 149.5 | 226.3 | 321.5 | 438.5 | 588.8 |
| **Total Consolidated AOL Europe Free Cash Flow** | **(115.7)** | **(165.2)** | **(104.4)** | **65.9** | **315.5** | **620.7** | **974.9** | **1,410.8** | **1,949.0** | **2,640.2** |
| NPV: | | | | | | | | | | |
| UK | 10,024.2 | 11,417.6 | 13,045.9 | 14,933.1 | 17,113.9 | 19,603.9 | 22,436.1 | 25,631.3 | 29,230.0 | 33,273.6 |
| Germany (90%) | 5,536.4 | 6,306.7 | 7,220.8 | 8,275.8 | 9,483.1 | 10,859.5 | 12,409.1 | 14,154.1 | 16,110.4 | 18,300.7 |
| France (45%, includes CompuServe France) | 1,441.9 | 1,643.2 | 1,879.0 | 2,157.6 | 2,472.9 | 2,829.9 | 3,233.1 | 3,687.7 | 4,195.4 | 4,764.8 |
| Other Europe | 5,744.7 | 6,547.3 | 7,467.8 | 8,552.3 | 9,796.3 | 11,206.9 | 12,800.2 | 14,596.6 | 16,611.9 | 18,867.1 |
| CompuServe Europe | 1,162.6 | 1,348.5 | 1,560.2 | 1,803.9 | 2,068.4 | 2,364.1 | 2,687.2 | 3,044.8 | 3,435.0 | 3,865.2 |
| **Total Proportionate AOL Europe NPV** | **23,909.8** | **27,263.3** | **31,173.7** | **35,722.6** | **40,934.6** | **46,864.3** | **53,565.7** | **61,114.5** | **69,582.8** | **79,071.3** |
| **AOL's 50%** | **11,954.9** | **13,631.7** | **15,586.8** | **17,861.3** | **20,467.3** | **23,432.1** | **26,782.9** | **30,557.2** | **34,791.4** | **39,535.6** |

Source: Credit Lyonnais Securities estimates

# AOL Germany

## Exhibit 64: AOL Germany Subscription Revenue Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Subscription Revenues: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.678 | 0.953 | 1.353 | 1.853 | 2.553 | 3.253 | 3.753 | 4.153 | 4.453 | 4.753 |
| Additions | 0.275 | 0.400 | 0.500 | 0.700 | 0.700 | 0.500 | 0.400 | 0.300 | 0.300 | 0.300 |
| Ending | 0.953 | 1.353 | 1.853 | 2.553 | 3.253 | 3.753 | 4.153 | 4.453 | 4.753 | 5.053 |
| Average | 0.815 | 1.153 | 1.603 | 2.203 | 2.903 | 3.503 | 3.953 | 4.303 | 4.603 | 4.903 |
| x Average Monthly Subscription Rate | $5.13 | $5.00 | $4.85 | $4.66 | $4.42 | $4.11 | $3.78 | $3.41 | $3.07 | $2.76 |
| % Change | | -2.5% | -3.0% | -4.0% | -5.0% | -7.0% | -8.0% | -10.0% | -10.0% | -10.0% |
| Total AOL Subscription Revenues | 50.2 | 69.2 | 93.3 | 123.1 | 154.1 | 172.9 | 179.5 | 175.9 | 169.3 | 162.3 |
| % Change | | 37.8% | 34.9% | 31.9% | 25.2% | 12.2% | 3.8% | -2.0% | -3.7% | -4.1% |
| Access Surcharge: | | | | | | | | | | |
| Average Subscribers | 0.815 | 1.153 | 1.603 | 2.203 | 2.903 | 3.503 | 3.953 | 4.303 | 4.603 | 4.903 |
| Average Daily Connections | 0.8 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 |
| Average Monthly Connections per Average Subscriber | 24.0 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 | 37.5 | 39.0 |
| x 12 = Annual Subscriber Connections (mm) | 288.0 | 324.0 | 342.0 | 360.0 | 378.0 | 396.0 | 414.0 | 432.0 | 450.0 | 468.0 |
| x Average Monthly Subscription Rate | $0.00 | $0.03 | $0.03 | $0.03 | $0.03 | $0.02 | $0.02 | $0.02 | $0.02 | $0.02 |
| % Change | | | -5.0% | -5.0% | -5.0% | -5.0% | -5.0% | -5.0% | -5.0% | -5.0% |
| Total AOL Access Revenues | 0.0 | 116.6 | 117.0 | 117.0 | 116.7 | 116.1 | 115.3 | 114.3 | 113.1 | 111.8 |
| % Change | | | 0.3% | 0.0% | -0.2% | -0.5% | -0.7% | -0.9% | -1.0% | -1.2% |
| Carrier Fees: | | | | | | | | | | |
| Old Plan | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Monthly Connections per Average Subscriber | 24.0 | | | | | | | | | |
| x Average Duration of Connection (Minutes) | 15.0 | | | | | | | | | |
| = Average Usage per Subscriber Per Month | 360.0 | | | | | | | | | |
| x Average Monthly Subscription Rate Per Hour (-3% per Yr) | $2.56 | | | | | | | | | |
| x 12 = Annual Carrier Fees | 184.7 | | | | | | | | | |
| New Plan | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Monthly Connections per Average Subscriber | | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 | 37.5 | 39.0 |
| x Average Duration of Connection (Minutes) | | 18.0 | 27.0 | 31.1 | 34.2 | 37.6 | 39.4 | 41.4 | 43.5 | 45.7 |
| = Average Usage per Subscriber Per Month | | 486.0 | 769.5 | 931.5 | 1,075.9 | 1,239.8 | 1,361.0 | 1,491.2 | 1,631.0 | 1,781.0 |
| x Average Monthly Subscription Rate Per Minute (-3% per Yr) | | $0.02 | $0.02 | $0.02 | $0.02 | $0.02 | $0.02 | $0.01 | $0.01 | $0.01 |
| x 12 = Annual Carrier Fees | | 116.6 | 175.4 | 201.8 | 221.4 | 242.4 | 252.7 | 263.1 | 273.4 | 283.6 |
| % Change | | -36.8% | 50.4% | 15.0% | 9.7% | 9.5% | 4.3% | 4.1% | 3.9% | 3.7% |
| **Total AOL Germany Subscription Revenues** | **234.8** | **302.4** | **385.7** | **441.8** | **492.1** | **531.4** | **547.6** | **553.3** | **555.8** | **557.7** |
| % Change | | 28.8% | 27.5% | 14.5% | 11.4% | 8.0% | 3.0% | 1.0% | 0.5% | 0.3% |
| Equivalent Flat Monthly Fee | $24.01 | $21.87 | $20.06 | $16.72 | $14.13 | $12.64 | $11.54 | $10.72 | $10.06 | $9.48 |
| % Change | | -8.9% | -8.3% | -16.7% | -15.5% | -10.5% | -8.7% | -7.2% | -6.1% | -5.8% |

Source: Credit Lyonnais Securities estimates

## Exhibit 65: AOL Germany Advertising and E-Commerce Revenue Projections

| $ millions | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.815 | 1.153 | 1.603 | 2.203 | 2.903 | 3.503 | 3.953 | 4.303 | 4.603 | 4.903 |
| x Average Monthly User Sessions per Average Subscriber | 24.0 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 | 37.5 | 39.0 |
| x Average Page Views per Session | 12.0 | 12.6 | 13.2 | 13.9 | 14.6 | 15.2 | 15.8 | 16.4 | 17.1 | 17.7 |
| x 12 = Total Page Views in AOL/CompuServe Subscription Areas | 2,816.6 | 4,705.0 | 7,250.8 | 11,014.6 | 16,003.0 | 21,040.0 | 25,815.3 | 30,496.0 | 35,340.9 | 40,716.3 |
| Non-Subscription Areas | | | | | | | | | | |
| Aggregate Average Monthly Unique Visitors | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 |
| x Average Monthly User Sessions per Unique Visitor | 3.5 | 3.7 | 3.9 | 4.2 | 4.4 | 4.6 | 4.8 | 5.1 | 5.3 | 5.6 |
| x Average Page Views per Session | 7.0 | 7.6 | 7.9 | 8.3 | 8.8 | 9.1 | 9.5 | 9.8 | 10.2 | 10.6 |
| x 12 = Total Page Views in Non-Subscriber Areas | 294.0 | 360.1 | 428.7 | 525.1 | 625.2 | 723.7 | 837.7 | 960.5 | 1,101.3 | 1,262.8 |
| Total AOL Page Views | 3,110.6 | 5,065.0 | 7,679.5 | 11,539.6 | 16,628.2 | 21,763.7 | 26,653.0 | 31,456.5 | 36,442.2 | 41,979.1 |
| x Advertising Revenues Per Page View (+10% Yr) | $6.50 | $8.45 | $10.56 | $12.68 | $14.58 | $16.03 | $17.32 | $18.70 | $20.20 | $21.81 |
| **Total Advertising Revenues** | **20.2** | **42.8** | **81.1** | **146.3** | **242.4** | **349.0** | **461.5** | **588.3** | **736.1** | **915.7** |
| % Change | | 111.7% | 89.5% | 80.3% | 65.7% | 44.0% | 32.3% | 27.5% | 25.1% | 24.4% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.2% | 0.2% | 0.3% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% |
| Page Views on Commerce Sites | 4.7 | 10.1 | 19.2 | 34.6 | 58.2 | 87.1 | 119.9 | 157.3 | 200.4 | 251.9 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.9 | 2.1 | 4.1 | 7.8 | 13.7 | 21.3 | 30.6 | 41.7 | 55.1 | 71.8 |
| x Average Purchase/Download Price | $25.00 | $26.00 | $26.78 | $27.58 | $28.41 | $29.26 | $30.14 | $31.05 | $31.98 | $32.94 |
| = Total E-Commerce Purchases ($ millions) | 23.3 | 54.0 | 110.5 | 214.9 | 388.6 | 624.1 | 921.8 | 1,294.0 | 1,762.5 | 2,364.3 |
| x AOL Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= AOL E-Commerce Fees** | **2.3** | **5.4** | **11.1** | **21.5** | **38.9** | **62.4** | **92.2** | **129.4** | **176.3** | **236.4** |
| % Change | | 131.4% | 104.7% | 94.4% | 80.9% | 60.6% | 47.7% | 40.4% | 36.2% | 34.1% |
| **Total Advertising and E-Commerce Fees** | **22.6** | **48.2** | **92.2** | **167.8** | **281.2** | **411.4** | **553.7** | **717.7** | **912.3** | **1,152.2** |
| % Change | | 113.7% | 91.2% | 82.0% | 67.7% | 46.3% | 34.6% | 29.6% | 27.1% | 26.3% |

Source: Credit Lyonnais Securities estimates

## Exhibit 66: AOL Germany Income Statement Projections

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | 234.8 | 302.4 | 385.7 | 441.8 | 492.1 | 531.4 | 547.6 | 553.3 | 555.8 | 557.7 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 20.2 | 42.8 | 81.1 | 146.3 | 242.4 | 349.0 | 461.5 | 588.3 | 736.1 | 915.7 |
| E-Commerce | 2.3 | 5.4 | 11.1 | 21.5 | 38.9 | 62.4 | 92.2 | 129.4 | 176.3 | 236.4 |
| Total Advertising and E-Commerce Fees | 22.6 | 48.2 | 92.2 | 167.8 | 281.2 | 411.4 | 553.7 | 717.7 | 912.3 | 1,152.2 |
| **Total Consolidated AOL Germany Revenues** | **257.4** | **350.6** | **477.8** | **609.5** | **773.4** | **942.7** | **1,101.3** | **1,270.9** | **1,468.1** | **1,709.8** |
| % Change | | 36.2% | 36.3% | 27.6% | 26.9% | 21.9% | 16.8% | 15.4% | 15.5% | 16.5% |
| Costs of Revenues | (154.4) | (205.1) | (272.4) | (338.3) | (417.6) | (494.9) | (567.2) | (641.8) | (726.7) | (829.3) |
| Gross Profit | 103.0 | 145.5 | 205.5 | 271.2 | 355.7 | 447.8 | 534.1 | 629.1 | 741.4 | 880.6 |
| % Margin | 40.0% | 41.5% | 43.0% | 44.5% | 46.0% | 47.5% | 48.5% | 49.5% | 50.5% | 51.5% |
| % Change | | 41.3% | 41.2% | 32.0% | 31.2% | 25.9% | 19.3% | 17.8% | 17.8% | 18.8% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (36.7) | (59.6) | (76.3) | (96.5) | (117.0) | (134.1) | (143.7) | (148.7) | (154.2) | (159.4) |
| Sales and Marketing per Average Analog Subscriber | ($45.00) | ($51.75) | ($47.61) | ($43.80) | ($40.30) | ($38.28) | ($36.37) | ($34.55) | ($33.51) | ($32.51) |
| Product Development | (29.6) | (36.8) | (45.4) | (53.3) | (61.9) | (70.7) | (77.1) | (82.6) | (88.1) | (94.0) |
| General and Administrative | (25.7) | (33.5) | (37.5) | (41.2) | (45.3) | (48.1) | (50.9) | (54.0) | (57.2) | (60.7) |
| Total | (92.0) | (129.9) | (159.2) | (191.0) | (224.2) | (252.9) | (271.8) | (285.3) | (299.6) | (314.1) |
| **EBITDA** | **10.9** | **15.6** | **46.3** | **80.2** | **131.6** | **194.9** | **262.3** | **343.8** | **441.8** | **566.5** |
| % Margin | 4.3% | 4.4% | 9.7% | 13.2% | 17.0% | 20.7% | 23.8% | 27.1% | 30.1% | 33.1% |
| % Change | | 42.5% | 197.0% | 73.2% | 64.0% | 48.2% | 34.6% | 31.1% | 28.5% | 28.2% |
| Depreciation and Amortization | (40.9) | (46.1) | (54.6) | (60.4) | (62.6) | (65.1) | (67.1) | (68.7) | (69.9) | (70.9) |
| **Operating Income** | **(30.0)** | **(30.5)** | **(8.3)** | **19.8** | **68.9** | **129.8** | **195.3** | **275.2** | **371.9** | **495.5** |
| % Margin | -11.6% | -8.7% | -1.7% | 3.2% | 8.9% | 13.8% | 17.7% | 21.7% | 25.3% | 29.0% |
| % Change | | 1.7% | -72.7% | -338.0% | 248.8% | 88.3% | 50.4% | 40.9% | 35.1% | 33.2% |
| Net Interest Expense | (1.2) | (3.9) | (6.3) | (6.0) | (1.8) | 4.6 | 14.0 | 27.7 | 46.7 | 72.4 |
| **Pretax Income** | **(31.1)** | **(34.4)** | **(14.6)** | **13.8** | **67.1** | **134.4** | **209.2** | **302.9** | **418.6** | **567.9** |
| % Margin | -12.1% | -9.8% | -3.1% | 2.3% | 8.7% | 14.3% | 19.0% | 23.8% | 28.5% | 33.2% |
| % Change | | 10.6% | -57.6% | -194.5% | 387.4% | 100.3% | 55.6% | 44.7% | 38.2% | 35.7% |

Source: Credit Lyonnais Securities estimates

## Exhibit 67: AOL Germany Margin Analysis

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Margin | 40.0% | 41.5% | 43.0% | 44.5% | 46.0% | 47.5% | 48.5% | 49.5% | 50.5% | 51.5% |
| Operating Costs as a % of Revenues | | | | | | | | | | |
| Sales and Marketing | 14.2% | 17.0% | 16.0% | 15.8% | 15.1% | 14.2% | 13.1% | 11.7% | 10.5% | 9.3% |
| Product Development | 11.5% | 10.5% | 9.5% | 8.8% | 8.0% | 7.5% | 7.0% | 6.5% | 6.0% | 5.5% |
| General and Administrative | 10.0% | 9.5% | 7.8% | 6.8% | 5.9% | 5.1% | 4.6% | 4.2% | 3.9% | 3.5% |
| Total | 35.7% | 37.1% | 33.3% | 31.3% | 29.0% | 26.8% | 24.7% | 22.4% | 20.4% | 18.4% |
| **EBITDA Margin** | **4.3%** | **4.4%** | **9.7%** | **13.2%** | **17.0%** | **20.7%** | **23.8%** | **27.1%** | **30.1%** | **33.1%** |

Source: Credit Lyonnais Securities estimates

## Exhibit 68: AOL Germany Cash Flow Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (31.1) | (34.4) | (14.6) | 13.8 | 67.1 | 134.4 | 209.2 | 302.9 | 418.6 | 567.9 |
| Depreciation and Amortization | 40.9 | 46.1 | 54.6 | 60.4 | 62.6 | 65.1 | 67.1 | 68.7 | 69.9 | 70.9 |
| **After-Tax Cash Flow** | **9.8** | **11.7** | **40.0** | **74.2** | **129.7** | **199.5** | **276.3** | **371.5** | **488.5** | **638.8** |
| Capital Spending | (38.6) | (52.6) | (57.3) | (50.0) | (50.0) | (50.0) | (50.0) | (50.0) | (50.0) | (50.0) |
| **Free Cash Flow** | **(28.8)** | **(40.9)** | **(17.3)** | **24.2** | **79.7** | **149.5** | **226.3** | **321.5** | **438.5** | **588.8** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (28.8) | (69.8) | (87.1) | (62.9) | 16.9 | 166.4 | 392.7 | 714.2 | 1,152.7 |
| Ending | (28.8) | (69.8) | (87.1) | (62.9) | 16.9 | 166.4 | 392.7 | 714.2 | 1,152.7 | 1,741.6 |
| Average | (14.4) | (49.3) | (78.4) | (75.0) | (23.0) | 91.6 | 279.6 | 553.5 | 933.5 | 1,447.1 |

Source: Credit Lyonnais Securities estimates

## Exhibit 69: AOL Germany Depreciation Schedule

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 125.0 | 138.6 | 163.5 | 188.1 | 200.5 | 210.4 | 218.3 | 224.7 | 229.7 | 233.8 |
| Capital Spending | 38.6 | 52.6 | 57.3 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (40.9) | (46.1) | (54.6) | (60.4) | (62.6) | (65.1) | (67.1) | (68.7) | (69.9) | (70.9) |

Source: Credit Lyonnais Securities estimates

## Exhibit 70: AOL Germany DCF Valuation

| $ millions | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Free Cash Flow | (28.8) | (40.9) | (17.3) | 24.2 | 79.7 | 149.5 | 226.3 | 321.5 | 438.5 | 588.8 |
| Add: After-Tax Interest (0 if Net Cash) | 1.2 | 3.9 | 6.3 | 6.0 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow to Firm (FCFF)** | **(27.7)** | **(37.0)** | **(11.0)** | **30.2** | **81.6** | **149.5** | **226.3** | **321.5** | **438.5** | **588.8** |
| % Change | | 33.7% | -70.2% | -373.8% | 170.0% | 83.3% | 51.4% | 42.1% | 36.4% | 34.3% |
| Assumptions: | | | | | | | | | | |
| Terminal Growth Rate | 11.0% | | | | | | | | | |
| WACC | 14.6% | | | | | | | | | |
| Terminal Multiple | 27.8x | | | | | | | | | |
| Years to Discount | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | | 0 | 1 | 2 | 3 | 4 |
| | | | | | | | 0 | 1 | 2 | 3 |
| | | | | | | | | 0 | 1 | 2 |
| | | | | | | | | | 0 | 1 |
| | | | | | | | | | | 0 |
| Present Value of FCFF | (27.7) | (32.5) | (8.5) | 20.4 | 48.3 | 77.7 | 103.1 | 128.5 | 153.7 | 181.1 |
| | | (37.0) | (9.7) | 23.2 | 55.1 | 88.5 | 117.5 | 146.5 | 175.2 | 206.4 |
| | | | (11.0) | 26.5 | 62.8 | 100.9 | 134.0 | 167.0 | 199.8 | 235.3 |
| | | | | 30.2 | 71.5 | 115.1 | 152.8 | 190.4 | 227.7 | 268.3 |
| | | | | | 81.6 | 131.2 | 174.1 | 217.0 | 259.6 | 305.8 |
| | | | | | | 149.5 | 198.5 | 247.4 | 296.0 | 348.6 |
| | | | | | | | 226.3 | 282.0 | 337.4 | 397.4 |
| | | | | | | | | 321.5 | 384.6 | 453.1 |
| | | | | | | | | | 438.5 | 516.5 |
| | | | | | | | | | | 588.8 |
| Sum of Present Value or FCFF Stream | 644.1 | 765.8 | 915.2 | 1,055.9 | 1,169.3 | 1,240.1 | 1,243.2 | 1,159.2 | 955.0 | 588.8 |
| Present Value of Terminal Value | 5,536.3 | 6,311.4 | 7,195.0 | 8,202.2 | 9,350.6 | 10,659.6 | 12,152.0 | 13,853.3 | 15,792.7 | 18,003.7 |
| Ending Net Cash (Debt) | (28.8) | (69.8) | (87.1) | (62.9) | 16.9 | 166.4 | 392.7 | 714.2 | 1,152.7 | 1,741.6 |
| **Net Present Value** | **6,151.6** | **7,007.4** | **8,023.1** | **9,195.3** | **10,536.8** | **12,066.1** | **13,787.9** | **15,726.8** | **17,900.5** | **20,334.1** |
| % Change | | 13.9% | 14.5% | 14.6% | 14.6% | 14.5% | 14.3% | 14.1% | 13.8% | 13.6% |

Source: Credit Lyonnais Securities estimates

# AOL UK

## Exhibit 71: AOL UK Subscription Revenue Projections

| (Millions) | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Subscription Revenues: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.510 | 0.795 | 1.195 | 1.695 | 2.095 | 2.445 | 2.745 | 3.045 | 3.295 | 3.545 |
| Additions | 0.285 | 0.400 | 0.500 | 0.400 | 0.350 | 0.300 | 0.300 | 0.250 | 0.250 | 0.250 |
| Ending | 0.795 | 1.195 | 1.695 | 2.095 | 2.445 | 2.745 | 3.045 | 3.295 | 3.545 | 3.795 |
| Average | 0.653 | 0.995 | 1.445 | 1.895 | 2.270 | 2.595 | 2.895 | 3.170 | 3.420 | 3.670 |
| Subscription Packages: | | | | | | | | | | |
| 1) Standard Pricing | | | | | | | | | | |
| Monthly Fee | $16.50 | $16.50 | $15.84 | $15.05 | $14.30 | $13.29 | $12.23 | $11.25 | $10.13 | $9.11 |
| % Change | | | -4.0% | -5.0% | -5.0% | -7.0% | -8.0% | -8.0% | -10.0% | -10.0% |
| Annual Rate | $165.00 | $165.00 | $158.40 | $150.48 | $142.96 | $132.95 | $122.31 | $112.53 | $101.28 | $91.15 |
| Subscriber Weighting | | | | | | | | | | |
| Monthly | 90.0% | 90.0% | 89.0% | 88.0% | 87.0% | 86.0% | 85.0% | 84.0% | 83.0% | 82.0% |
| Annual | 10.0% | 10.0% | 11.0% | 12.0% | 13.0% | 14.0% | 15.0% | 16.0% | 17.0% | 18.0% |
| Weighted Average Option 1 Monthly Price | $16.23 | $16.23 | $15.55 | $14.75 | $13.99 | $12.98 | $11.93 | $10.95 | $9.84 | $8.84 |
| 2) Light-User Pricing | | | | | | | | | | |
| Hourly Rate for 1st 3 Hours | | $8.17 | $7.76 | $7.29 | $6.78 | $6.31 | $5.74 | $5.17 | $4.65 | $4.18 |
| Cost Per Additional Hour | | $3.88 | $3.64 | $3.43 | $3.22 | $3.03 | $2.85 | $2.67 | $2.51 | $2.36 |
| Average Usage | | 3.713 | 3.750 | 3.787 | 3.825 | 3.863 | 3.902 | 3.941 | 3.980 | 4.020 |
| Expected Monthly Rate | | $10.93 | $10.49 | $9.99 | $9.44 | $8.92 | $8.31 | $7.68 | $7.11 | $6.60 |
| User Mix | | | | | | | | | | |
| Standard | 100.0% | 80.0% | 81.0% | 82.0% | 83.0% | 84.0% | 85.0% | 86.0% | 87.0% | 88.0% |
| Light-User | 0.0% | 20.0% | 19.0% | 18.0% | 17.0% | 16.0% | 15.0% | 14.0% | 13.0% | 12.0% |
| Weighted Average Subscription Rate | $16.23 | $15.17 | $14.59 | $13.89 | $13.21 | $12.33 | $11.38 | $10.50 | $9.49 | $8.57 |
| | | -6.5% | -3.8% | -4.8% | -4.9% | -6.6% | -7.7% | -7.8% | -9.6% | -9.6% |
| Total AOL Subscription Revenues | 127.0 | 181.1 | 253.0 | 315.9 | 359.9 | 384.1 | 395.4 | 399.2 | 389.3 | 377.5 |
| % Change | | 42.5% | 39.7% | 24.9% | 13.9% | 6.7% | 3.0% | 1.0% | -2.5% | -3.0% |
| Carrier Fees: | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Subscribers | 0.653 | 0.995 | 1.445 | 1.895 | 2.270 | 2.595 | 2.895 | 3.170 | 3.420 | 3.670 |
| % Taking Standard Pricing Plan | 100.0% | 80.0% | 81.0% | 82.0% | 83.0% | 84.0% | 85.0% | 86.0% | 87.0% | 88.0% |
| Subscribers on Standard Pricing Plan | 0.653 | 0.796 | 1.170 | 1.554 | 1.884 | 2.180 | 2.461 | 2.726 | 2.975 | 3.230 |
| Average Daily Connections | 0.8 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 |
| Average Monthly Connections per Average Subscriber | 24.0 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 | 37.5 | 39.0 |
| x Average Duration of Connection (Minutes) | 13.8 | 16.5 | 18.2 | 19.6 | 20.6 | 21.6 | 22.7 | 23.8 | 25.0 | 26.3 |
| = Average Usage per Subscriber Per Month | 330.0 | 445.5 | 517.3 | 588.1 | 648.3 | 713.2 | 782.9 | 857.7 | 938.2 | 1,024.5 |
| x Average Monthly Subscription Rate Per Minute (-5% per Yr) | $0.02 | $0.02 | $0.02 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 |
| x 12 = Annual Carrier Fees | 51.2 | 70.2 | 113.9 | 163.3 | 207.4 | 245.4 | 282.9 | 319.3 | 354.5 | 390.8 |
| % Change | | 37.2% | 62.2% | 43.4% | 27.0% | 18.4% | 15.2% | 12.9% | 11.0% | 10.2% |
| **Total AOL UK Subscription Revenues** | **178.2** | **251.3** | **366.8** | **479.2** | **567.3** | **629.5** | **678.3** | **718.5** | **743.8** | **768.3** |
| % Change | | 41.0% | 46.0% | 30.6% | 18.4% | 11.0% | 7.7% | 5.9% | 3.5% | 3.3% |
| Netscape Online: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.000 | 0.500 | 0.850 | 1.200 | 1.550 | 1.900 | 2.250 | 2.600 | 2.950 | 3.300 |
| Additions | 0.500 | 0.350 | 0.350 | 0.350 | 0.350 | 0.350 | 0.350 | 0.350 | 0.350 | 0.350 |
| Ending | 0.500 | 0.850 | 1.200 | 1.550 | 1.900 | 2.250 | 2.600 | 2.950 | 3.300 | 3.650 |
| Average | 0.250 | 0.675 | 1.025 | 1.375 | 1.725 | 2.075 | 2.425 | 2.775 | 3.125 | 3.475 |
| Equivalent Flat Monthly Fee | $22.76 | $21.05 | $21.16 | $21.07 | $20.83 | $20.22 | $19.52 | $18.89 | $18.12 | $17.44 |
| % Change | | -7.5% | 0.5% | -0.4% | -1.2% | -2.9% | -3.4% | -3.3% | -4.1% | -3.7% |

Source: Credit Lyonnais Securities estimates

## Exhibit 72: AOL UK Advertising and E-Commerce Revenue Projections

| ($ millions) | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.903 | 1.670 | 2.470 | 3.270 | 3.995 | 4.670 | 5.320 | 5.945 | 6.545 | 7.145 |
| x Average Monthly User Sessions per Average Subscriber | 24.0 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 | 37.5 | 39.0 |
| x Average Page Views per Session | 15.0 | 15.8 | 16.5 | 17.4 | 18.2 | 19.0 | 19.7 | 20.5 | 21.3 | 22.2 |
| x 12 = Total Page Views in AOL Subscription Areas | 3,898.8 | 8,522.0 | 13,969.9 | 20,441.3 | 27,533.2 | 35,066.6 | 43,433.7 | 52,672.5 | 62,820.9 | 74,176.0 |
| Non-Subscription Areas | | | | | | | | | | |
| Aggregate Average Monthly Unique Visitors | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| x Average Monthly User Sessions per Unique Visitor | 3.0 | 3.2 | 3.3 | 3.6 | 3.8 | 3.9 | 4.1 | 4.3 | 4.6 | 4.8 |
| x Average Page Views per Session | 7.5 | 8.1 | 8.5 | 8.9 | 9.4 | 9.8 | 10.1 | 10.5 | 11.0 | 11.4 |
| x 12 = Total Page Views in Non-Subscriber Areas | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total AOL Page Views | 3,898.8 | 8,522.0 | 13,969.9 | 20,441.3 | 27,533.2 | 35,066.6 | 43,433.7 | 52,672.5 | 62,820.9 | 74,176.0 |
| x Advertising Revenues Per Page View (+10% Yr) | $7.50 | $9.00 | $10.80 | $12.96 | $14.90 | $16.39 | $17.71 | $19.12 | $20.65 | $22.30 |
| **Total Advertising Revenues** | **29.2** | **76.7** | **150.9** | **264.9** | **410.4** | **574.9** | **769.0** | **1,007.2** | **1,297.4** | **1,654.5** |
| % Change | | 162.3% | 96.7% | 75.6% | 54.9% | 40.1% | 33.8% | 31.0% | 28.8% | 27.5% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.0% | 0.2% | 0.2% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% |
| Page Views on Commerce Sites | 0.2 | 12.8 | 31.4 | 61.3 | 103.2 | 149.0 | 206.3 | 276.5 | 361.2 | 463.6 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.0 | 2.6 | 6.8 | 13.8 | 24.3 | 36.5 | 52.6 | 73.3 | 99.3 | 132.1 |
| x Average Purchase/Download Price | $25.00 | $26.00 | $26.78 | $27.58 | $28.41 | $29.26 | $30.14 | $31.05 | $31.98 | $32.94 |
| = Total E-Commerce Purchases ($ millions) | 1.0 | 68.1 | 181.0 | 380.6 | 689.4 | 1,068.5 | 1,585.7 | 2,275.0 | 3,176.4 | 4,351.7 |
| x AOL Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= AOL E-Commerce Fees** | **0.1** | **6.8** | **18.1** | **38.1** | **68.9** | **106.8** | **158.6** | **227.5** | **317.6** | **435.2** |
| % Change | | 6890.2% | 165.6% | 110.3% | 81.1% | 55.0% | 48.4% | 43.5% | 39.6% | 37.0% |
| **Total Advertising and E-Commerce Fees** | **29.3** | **83.5** | **169.0** | **303.0** | **479.3** | **681.7** | **927.6** | **1,234.7** | **1,615.0** | **2,089.6** |
| % Change | | 184.6% | 102.3% | 79.3% | 58.2% | 42.2% | 36.1% | 33.1% | 30.8% | 29.4% |

Source: Credit Lyonnais Securities estimates

## Exhibit 73: AOL UK Income Statement Projections

| | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | 178.2 | 251.3 | 366.8 | 479.2 | 567.3 | 629.5 | 678.3 | 718.5 | 743.8 | 768.3 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 29.2 | 76.7 | 150.9 | 264.9 | 410.4 | 574.9 | 769.0 | 1,007.2 | 1,297.4 | 1,654.5 |
| E-Commerce | 0.1 | 6.8 | 18.1 | 38.1 | 68.9 | 106.8 | 158.6 | 227.5 | 317.6 | 435.2 |
| Total Advertising and E-Commerce Fees | 29.3 | 83.5 | 169.0 | 303.0 | 479.3 | 681.7 | 927.6 | 1,234.7 | 1,615.0 | 2,089.6 |
| **Total Consolidated AOL UK Revenues** | **207.5** | **334.8** | **535.8** | **782.1** | **1,046.6** | **1,311.3** | **1,605.9** | **1,953.3** | **2,358.8** | **2,857.9** |
| % Change | | 61.3% | 60.0% | 46.0% | 33.8% | 25.3% | 22.5% | 21.6% | 20.8% | 21.2% |
| Costs of Revenues | (128.7) | (200.9) | (310.8) | (438.0) | (565.2) | (681.9) | (807.0) | (962.0) | (1,138.1) | (1,350.3) |
| Gross Profit | 78.9 | 133.9 | 225.0 | 344.1 | 481.4 | 629.4 | 798.9 | 991.3 | 1,220.7 | 1,507.5 |
| % Margin | 38.0% | 40.0% | 42.0% | 44.0% | 46.0% | 48.0% | 49.8% | 50.8% | 51.8% | 52.8% |
| % Change | | 69.8% | 68.0% | 52.9% | 39.9% | 30.7% | 26.9% | 24.1% | 23.1% | 23.5% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (40.6) | (75.2) | (111.2) | (147.2) | (179.8) | (210.2) | (239.4) | (267.5) | (294.5) | (321.5) |
| Sales and Marketing per Average Analog Subscriber | ($45.00) | ($51.75) | ($54.34) | ($56.51) | ($58.77) | ($61.12) | ($63.57) | ($66.11) | ($68.75) | ($71.50) |
| Product Development | (24.9) | (37.7) | (57.6) | (80.2) | (102.0) | (121.3) | (140.5) | (161.1) | (182.8) | (207.2) |
| General and Administrative | (20.8) | (24.9) | (27.9) | (30.7) | (33.8) | (35.8) | (37.9) | (40.2) | (42.6) | (45.2) |
| Total | (86.3) | (137.7) | (196.6) | (258.0) | (315.6) | (367.2) | (417.8) | (468.9) | (519.9) | (573.9) |
| **EBITDA** | **(7.4)** | **(3.8)** | **28.4** | **86.1** | **165.9** | **262.2** | **381.1** | **522.4** | **700.7** | **933.6** |
| % Margin | -3.6% | -1.1% | 5.3% | 11.0% | 15.8% | 20.0% | 23.7% | 26.7% | 29.7% | 32.7% |
| % Change | | -48.7% | -847.9% | 203.3% | 92.5% | 58.1% | 45.3% | 37.1% | 34.1% | 33.2% |
| Depreciation and Amortization | (36.2) | (38.4) | (45.7) | (54.2) | (62.2) | (67.8) | (72.2) | (75.8) | (78.6) | (80.9) |
| **Operating Income** | **(43.6)** | **(42.2)** | **(17.3)** | **32.0** | **103.7** | **194.4** | **308.9** | **446.7** | **622.1** | **852.8** |
| % Margin | -21.0% | -12.6% | -3.2% | 4.1% | 9.9% | 14.8% | 19.2% | 22.9% | 26.4% | 29.8% |
| % Change | | -3.4% | -59.0% | -285.1% | 224.2% | 87.6% | 58.9% | 44.6% | 39.3% | 37.1% |
| Net Interest Expense | (1.6) | (5.6) | (9.8) | (11.7) | (8.4) | 1.5 | 14.3 | 34.3 | 63.6 | 104.9 |
| **Pretax Income** | **(45.2)** | **(47.8)** | **(27.1)** | **20.3** | **95.3** | **196.0** | **323.2** | **481.0** | **685.7** | **957.7** |
| % Margin | -21.8% | -14.3% | -5.1% | 2.6% | 9.1% | 14.9% | 20.1% | 24.6% | 29.1% | 33.5% |
| % Change | | 5.6% | -43.3% | -175.0% | 369.1% | 105.7% | 64.9% | 48.8% | 42.6% | 39.7% |

Source: Credit Lyonnais Securities estimates

## Exhibit 74: AOL UK Margin Analysis

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Margin | 38.0% | 40.0% | 42.0% | 44.0% | 46.0% | 48.0% | 49.8% | 50.8% | 51.8% | 52.8% |
| Operating Costs as a % of Revenues | | | | | | | | | | |
| Sales and Marketing | 19.6% | 22.4% | 20.7% | 18.8% | 17.2% | 16.0% | 14.9% | 13.7% | 12.5% | 11.3% |
| Product Development | 12.0% | 11.3% | 10.8% | 10.3% | 9.8% | 9.3% | 8.8% | 8.3% | 7.8% | 7.3% |
| General and Administrative | 10.0% | 7.4% | 5.2% | 3.9% | 3.2% | 2.7% | 2.4% | 2.1% | 1.8% | 1.6% |
| Total | 41.6% | 41.1% | 36.7% | 33.0% | 30.2% | 28.0% | 26.0% | 24.0% | 22.0% | 20.1% |
| **EBITDA Margin** | **-3.6%** | **-1.1%** | **5.3%** | **11.0%** | **15.8%** | **20.0%** | **23.7%** | **26.7%** | **29.7%** | **32.7%** |

Source: Credit Lyonnais Securities estimates

## Exhibit 75: AOL UK Cash Flow Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (45.2) | (47.8) | (27.1) | 20.3 | 95.3 | 196.0 | 323.2 | 481.0 | 685.7 | 957.7 |
| Depreciation and Amortization | 36.2 | 38.4 | 45.7 | 54.2 | 62.2 | 67.8 | 72.2 | 75.8 | 78.6 | 80.9 |
| **After-Tax Cash Flow** | **(9.0)** | **(9.4)** | **18.6** | **74.5** | **157.5** | **263.7** | **395.4** | **556.7** | **764.3** | **1,038.6** |
| Capital Spending | (31.1) | (50.2) | (64.3) | (75.0) | (75.0) | (75.0) | (75.0) | (75.0) | (75.0) | (75.0) |
| **Free Cash Flow** | **(40.1)** | **(59.6)** | **(45.7)** | **(0.5)** | **82.5** | **188.7** | **320.4** | **481.7** | **689.3** | **963.6** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (40.1) | (99.8) | (145.5) | (146.0) | (63.5) | 125.2 | 445.6 | 927.3 | 1,616.7 |
| Ending | (40.1) | (99.8) | (145.5) | (146.0) | (63.5) | 125.2 | 445.6 | 927.3 | 1,616.7 | 2,580.3 |
| Average | (20.1) | (70.0) | (122.6) | (145.7) | (104.7) | 30.9 | 285.4 | 686.5 | 1,272.0 | 2,098.5 |

Source: Credit Lyonnais Securities estimates

## Exhibit 76: AOL UK Depreciation Schedule

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 150.0 | 151.1 | 171.1 | 201.2 | 236.0 | 263.8 | 286.0 | 303.8 | 318.0 | 329.4 |
| Capital Spending | 31.1 | 50.2 | 64.3 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (36.2) | (38.4) | (45.7) | (54.2) | (62.2) | (67.8) | (72.2) | (75.8) | (78.6) | (80.9) |

Source: Credit Lyonnais Securities estimates

## Exhibit 77: AOL UK DCF Valuation

| (£ Millions) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Free Cash Flow | (40.1) | (59.6) | (45.7) | (0.5) | 82.5 | 188.7 | 320.4 | 481.7 | 689.3 | 963.6 |
| Add: After-Tax Interest (0 if Net Cash) | 1.6 | 5.6 | 9.8 | 11.7 | 8.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow to Firm (FCFF)** | **(38.5)** | **(54.0)** | **(35.9)** | **11.1** | **90.9** | **188.7** | **320.4** | **481.7** | **689.3** | **963.6** |
| % Change | | 40.2% | -33.5% | -131.0% | 715.5% | 107.7% | 69.7% | 50.4% | 43.1% | 39.8% |
| Assumptions: | | | | | | | | | | |
| Terminal Growth Rate | 11.0% | | | | | | | | | |
| WACC | 14.6% | | | | | | | | | |
| Terminal | 27.8x | | | | | | | | | |
| Years to Discount | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | | 0 | 1 | 2 | 3 | 4 |
| | | | | | | | 0 | 1 | 2 | 3 |
| | | | | | | | | 0 | 1 | 2 |
| | | | | | | | | | 0 | 1 |
| | | | | | | | | | | 0 |
| Present Value of FCFF | (38.5) | (47.4) | (27.6) | 7.5 | 53.8 | 98.0 | 146.0 | 192.5 | 241.7 | 296.3 |
| | | (54.0) | (31.5) | 8.6 | 61.3 | 111.7 | 166.4 | 219.5 | 275.5 | 337.8 |
| | | | (35.9) | 9.8 | 69.9 | 127.4 | 189.7 | 250.2 | 314.1 | 385.1 |
| | | | | 11.1 | 79.7 | 145.2 | 216.2 | 285.2 | 358.0 | 439.0 |
| | | | | | 90.9 | 165.6 | 246.5 | 325.2 | 408.2 | 500.4 |
| | | | | | | 188.7 | 281.0 | 370.7 | 465.3 | 570.5 |
| | | | | | | | 320.4 | 422.6 | 530.4 | 650.4 |
| | | | | | | | | 481.7 | 604.7 | 741.4 |
| | | | | | | | | | 689.3 | 845.2 |
| | | | | | | | | | | 963.6 |
| Sum of Present Value or FCFF Stream | 922.2 | 1,095.3 | 1,310.2 | 1,534.5 | 1,736.7 | 1,876.2 | 1,923.8 | 1,827.9 | 1,534.6 | 963.6 |
| Present Value of Terminal Value | 9,142.1 | 10,422.0 | 11,881.1 | 13,544.5 | 15,440.7 | 17,602.4 | 20,066.8 | 22,876.1 | 26,078.7 | 29,729.8 |
| Ending Net Cash (Debt) | (40.1) | (99.8) | (145.5) | (146.0) | (63.5) | 125.2 | 445.6 | 927.3 | 1,616.7 | 2,580.3 |
| **Net Present Value** | **10,024.2** | **11,417.6** | **13,045.9** | **14,933.1** | **17,113.9** | **19,603.9** | **22,436.1** | **25,631.3** | **29,230.0** | **33,273.6** |
| % Change | | 13.9% | 14.3% | 14.5% | 14.6% | 14.5% | 14.4% | 14.2% | 14.0% | 13.8% |

Source: Credit Lyonnais Securities estimates

# AOL France

## Exhibit 78: AOL France Subscription Revenue Projections

| [illegible] | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Subscription Revenues: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.150 | 0.465 | 0.865 | 1.265 | 1.665 | 2.015 | 2.315 | 2.615 | 2.865 | 3.115 |
| Havas Online | 0.040 | | | | | | | | | |
| CompuServe France | 0.050 | | | | | | | | | |
| Additions | 0.225 | 0.400 | 0.400 | 0.400 | 0.350 | 0.300 | 0.300 | 0.250 | 0.250 | 0.250 |
| Ending | 0.465 | 0.865 | 1.265 | 1.665 | 2.015 | 2.315 | 2.615 | 2.865 | 3.115 | 3.365 |
| Average | 0.353 | 0.665 | 1.065 | 1.465 | 1.840 | 2.165 | 2.465 | 2.740 | 2.990 | 3.240 |
| Subscription Packages: | | | | | | | | | | |
| Monthly Fee (FF95 per Mnth FY00) | $16.17 | $15.70 | $14.92 | $14.02 | $13.18 | $12.26 | $11.28 | $10.38 | $9.34 | $8.40 |
| Annual Rate (FF650 per Yr FY00) | $12.53 | $8.95 | $8.51 | $8.00 | $7.52 | $6.99 | $6.43 | $5.92 | $5.32 | $4.79 |
| Light-User (FF35 per Yr FY00) | $7.65 | $5.79 | $5.50 | $5.17 | $4.86 | $4.52 | $4.15 | $3.82 | $3.44 | $3.10 |
| % Change | | -4.0% | -5.0% | -6.0% | -6.0% | -7.0% | -8.0% | -8.0% | -10.0% | -10.0% |
| Subscriber Weighting | | | | | | | | | | |
| Monthly Fee | 70.0% | 70.0% | 69.0% | 68.0% | 67.5% | 67.0% | 66.5% | 66.0% | 65.5% | 65.0% |
| Annual Rate | 20.0% | 20.0% | 22.0% | 24.0% | 26.0% | 27.0% | 29.0% | 31.0% | 33.0% | 35.0% |
| Light-User | 10.0% | 10.0% | 9.0% | 8.0% | 6.5% | 6.0% | 4.5% | 3.0% | 1.5% | 0.0% |
| Weighted Average Monthly Subscription Rate | $14.59 | $13.36 | $12.66 | $11.87 | $11.17 | $10.37 | $9.55 | $8.80 | $7.92 | $7.14 |
| % Change | | -8.4% | -5.3% | -6.3% | -5.9% | -7.1% | -7.9% | -7.9% | -9.9% | -9.9% |
| Total AOL Subscription Revenues | 61.7 | 106.6 | 161.8 | 208.6 | 246.6 | 269.4 | 282.5 | 289.2 | 284.3 | 277.6 |
| % Change | | 72.7% | 51.7% | 29.0% | 18.2% | 9.3% | 4.9% | 2.4% | -1.7% | -2.4% |
| Carrier Fees: | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Subscribers | 0.353 | 0.665 | 1.065 | 1.465 | 1.840 | 2.165 | 2.465 | 2.740 | 2.990 | 3.240 |
| Subscribers on Standard Pricing Plan | 0.035 | 0.067 | 0.096 | 0.117 | 0.120 | 0.130 | 0.111 | 0.082 | 0.045 | 0.000 |
| Average Daily Connections | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 |
| Average Monthly Connections per Average Subscriber | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 |
| x Average Duration of Connection (Minutes) | 10.0 | 12.0 | 13.2 | 14.3 | 15.0 | 15.7 | 16.5 | 17.3 | 18.2 | 19.1 |
| = Average Usage per Subscriber Per Month (Hours) | 3.8 | 4.8 | 5.6 | 6.4 | 7.1 | 7.9 | 8.7 | 9.5 | 10.5 | 11.5 |
| Usage Threshold Before Additional Hourly Rate (Hours) | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| x Average Monthly Subscription Rate Per Hour (-5% per Yr) | $3.80 | $3.70 | $3.52 | $3.34 | $3.17 | $2.95 | $2.74 | $2.55 | $2.35 | $2.16 |
| x 12 = Annual Carrier Fees | 1.2 | 8.3 | 14.6 | 20.7 | 23.3 | 26.9 | 24.3 | 19.0 | 10.7 | 0.0 |
| % Change | | 585.8% | 76.5% | 42.1% | 12.2% | 15.8% | -9.7% | -22.1% | -43.6% | -100.0% |
| **Total AOL France Subscription Revenues** | **62.9** | **114.9** | **176.4** | **229.4** | **269.8** | **296.4** | **306.9** | **308.2** | **295.0** | **277.6** |
| % Change | | 82.5% | 53.5% | 30.0% | 17.6% | 9.8% | 3.5% | 0.4% | -4.3% | -5.9% |
| Equivalent Flat Monthly Fee | $14.88 | $14.40 | $13.80 | $13.05 | $12.22 | $11.41 | $10.37 | $9.37 | $8.22 | $7.14 |
| % Change | | -3.2% | -4.1% | -5.5% | -6.3% | -6.6% | -9.1% | -9.7% | -12.3% | -13.2% |

Source: Credit Lyonnais Securities estimates

## Exhibit 79: AOL France Advertising and E-Commerce Revenue Projections

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.353 | 0.665 | 1.065 | 1.465 | 1.840 | 2.165 | 2.465 | 2.740 | 2.990 | 3.240 |
| x Average Monthly User Sessions per Average Subscriber | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 | 34.5 | 36.0 |
| x Average Page Views per Session | 10.5 | 12.1 | 12.7 | 13.3 | 14.0 | 14.5 | 15.1 | 15.7 | 16.4 | 17.0 |
| x 12 = Total Page Views in AOL Subscription Areas | 999.3 | 2,312.6 | 4,131.9 | 6,319.0 | 8,796.3 | 11,330.5 | 14,087.4 | 17,060.9 | 20,242.3 | 23,804.0 |
| Non-Subscription Areas | | | | | | | | | | |
| Aggregate Average Monthly Unique Visitors | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.8 |
| x Average Monthly User Sessions per Unique Visitor | 3.0 | 3.2 | 3.3 | 3.6 | 3.8 | 3.9 | 4.1 | 4.3 | 4.6 | 4.8 |
| x Average Page Views per Session | 5.3 | 5.7 | 6.0 | 6.3 | 6.6 | 6.8 | 7.1 | 7.4 | 7.7 | 8.0 |
| x 12 = Total Page Views in Non-Subscriber Areas | 80.3 | 98.4 | 117.1 | 143.5 | 170.8 | 197.7 | 228.9 | 262.4 | 300.9 | 345.0 |
| Total AOL Page Views | 1,079.7 | 2,411.0 | 4,249.0 | 6,462.5 | 8,967.1 | 11,528.2 | 14,316.3 | 17,323.3 | 20,543.2 | 24,149.0 |
| x Advertising Revenues Per Page View (+10% Yr) | $7.00 | $8.40 | $9.66 | $10.63 | $11.69 | $12.62 | $13.63 | $14.72 | $15.90 | $17.17 |
| **Total Advertising Revenues** | **7.6** | **20.3** | **41.0** | **68.7** | **104.8** | **145.5** | **195.2** | **255.1** | **326.7** | **414.7** |
| % Change | | 168.0% | 102.7% | 67.3% | 52.6% | 38.8% | 34.1% | 30.7% | 28.1% | 27.0% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.1% | 0.2% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% | 0.7% |
| Page Views on Commerce Sites | 1.1 | 4.8 | 11.7 | 22.6 | 38.1 | 54.8 | 75.2 | 99.6 | 128.4 | 163.0 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.2 | 1.0 | 2.5 | 5.1 | 9.0 | 13.4 | 19.2 | 26.4 | 35.3 | 46.5 |
| x Average Purchase/Download Price | $25.00 | $26.00 | $26.78 | $27.58 | $28.41 | $29.26 | $30.14 | $31.05 | $31.98 | $32.94 |
| = Total E-Commerce Purchases ($ millions) | 5.4 | 25.7 | 67.3 | 140.4 | 254.4 | 392.6 | 577.7 | 819.5 | 1,129.1 | 1,530.1 |
| x AOL Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= AOL E-Commerce Fees** | **0.5** | **2.6** | **6.7** | **14.0** | **25.4** | **39.3** | **57.8** | **81.9** | **112.9** | **153.0** |
| % Change | | 376.1% | 161.8% | 108.7% | 81.3% | 54.3% | 47.1% | 41.9% | 37.8% | 35.5% |
| **Total Advertising and E-Commerce Fees** | **8.1** | **22.8** | **47.8** | **82.7** | **130.3** | **184.8** | **252.9** | **337.0** | **439.6** | **567.8** |
| % Change | | 181.8% | 109.3% | 73.1% | 57.5% | 41.9% | 36.9% | 33.2% | 30.4% | 29.2% |

Source: Credit Lyonnais Securities estimates

## Exhibit 80: AOL France Income Statement Projections

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | 62.9 | 114.9 | 176.4 | 229.4 | 269.8 | 296.4 | 306.9 | 308.2 | 295.0 | 277.6 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 7.6 | 20.3 | 41.0 | 68.7 | 104.8 | 145.5 | 195.2 | 255.1 | 326.7 | 414.7 |
| E-Commerce | 0.5 | 2.6 | 6.7 | 14.0 | 25.4 | 39.3 | 57.8 | 81.9 | 112.9 | 153.0 |
| Total Advertising and E-Commerce Fees | 8.1 | 22.8 | 47.8 | 82.7 | 130.3 | 184.8 | 252.9 | 337.0 | 439.6 | 567.8 |
| **Total Consolidated AOL France Revenues** | **71.0** | **137.7** | **224.1** | **312.1** | **400.1** | **481.2** | **559.8** | **645.2** | **734.6** | **845.4** |
| % Change | | 93.9% | 62.8% | 39.2% | 28.2% | 20.3% | 16.3% | 15.3% | 13.9% | 15.1% |
| Costs of Revenues | (46.2) | (85.4) | (132.2) | (174.8) | (216.0) | (255.0) | (291.1) | (329.1) | (371.0) | (422.7) |
| Gross Profit | 24.9 | 52.3 | 91.9 | 137.3 | 184.0 | 226.2 | 268.7 | 316.1 | 363.6 | 422.7 |
| % Margin | 35.0% | 38.0% | 41.0% | 44.0% | 46.0% | 47.0% | 48.0% | 49.0% | 49.5% | 50.0% |
| % Change | | 110.5% | 75.6% | 49.4% | 34.0% | 22.9% | 18.8% | 17.7% | 15.0% | 16.2% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (15.9) | (29.0) | (45.1) | (60.2) | (71.8) | (80.2) | (86.8) | (91.7) | (95.0) | (97.8) |
| Sales and Marketing per Average Analog Subscriber | ($45.00) | ($43.65) | ($42.34) | ($41.07) | ($39.02) | ($37.07) | ($35.21) | ($33.45) | ($31.78) | ($30.19) |
| Product Development | (8.2) | (14.8) | (23.0) | (30.4) | (37.0) | (42.1) | (46.2) | (50.0) | (53.3) | (57.1) |
| General and Administrative | (7.1) | (8.5) | (9.5) | (10.5) | (11.6) | (12.2) | (13.0) | (13.8) | (14.6) | (15.5) |
| Total | (31.1) | (52.4) | (77.6) | (101.1) | (120.4) | (134.6) | (146.0) | (155.4) | (162.9) | (170.3) |
| **EBITDA** | **(6.3)** | **(0.0)** | **14.3** | **36.2** | **63.7** | **91.6** | **122.7** | **160.7** | **200.8** | **252.3** |
| % Margin | -8.8% | 0.0% | 6.4% | 11.6% | 15.9% | 19.0% | 21.9% | 24.9% | 27.3% | 29.9% |
| % Change | | -99.6% | -56378.2% | 153.5% | 75.9% | 43.8% | 34.1% | 30.9% | 24.9% | 25.7% |
| Depreciation and Amortization | (4.5) | (7.2) | (12.1) | (16.0) | (17.0) | (18.4) | (19.5) | (20.4) | (21.1) | (21.7) |
| **Operating Income** | **(10.8)** | **(7.2)** | **2.2** | **20.2** | **46.7** | **73.1** | **103.2** | **140.3** | **179.6** | **230.6** |
| % Margin | -15.2% | -5.2% | 1.0% | 6.5% | 11.7% | 15.2% | 18.4% | 21.7% | 24.5% | 27.3% |
| % Change | | -33.3% | -129.9% | 838.0% | 130.5% | 56.7% | 41.1% | 35.9% | 28.0% | 28.4% |
| Net Interest Expense | (0.7) | (2.3) | (3.9) | (4.1) | (1.9) | 1.7 | 6.2 | 12.8 | 21.7 | 33.4 |
| **Pretax Income** | **(11.5)** | **(9.5)** | **(1.8)** | **16.2** | **44.7** | **74.8** | **109.4** | **153.1** | **201.3** | **264.0** |
| % Margin | -16.2% | -6.9% | -0.8% | 5.2% | 11.2% | 15.5% | 19.5% | 23.7% | 27.4% | 31.2% |
| % Change | | -17.1% | -81.6% | -1021.2% | 176.8% | 67.2% | 46.3% | 39.9% | 31.5% | 31.1% |

Source: Credit Lyonnais Securities estimates

## Exhibit 81: AOL France Margin Analysis

| (€ millions) | 1999A | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Margin | 35.0% | 38.0% | 41.0% | 44.0% | 46.0% | 47.0% | 48.0% | 49.0% | 49.5% | 50.0% |
| Operating Costs as a % of Revenues | | | | | | | | | | |
| Sales and Marketing | 22.3% | 21.1% | 20.1% | 19.3% | 17.9% | 16.7% | 15.5% | 14.2% | 12.9% | 11.6% |
| Product Development | 11.5% | 10.8% | 10.3% | 9.8% | 9.3% | 8.8% | 8.3% | 7.8% | 7.3% | 6.8% |
| General and Administrative | 10.0% | 6.2% | 4.3% | 3.4% | 2.9% | 2.5% | 2.3% | 2.1% | 2.0% | 1.8% |
| Total | 43.8% | 38.0% | 34.6% | 32.4% | 30.1% | 28.0% | 26.1% | 24.1% | 22.2% | 20.1% |
| **EBITDA Margin** | **-8.8%** | **0.0%** | **6.4%** | **11.6%** | **15.9%** | **19.0%** | **21.9%** | **24.9%** | **27.3%** | **29.9%** |

Source: Credit Lyonnais Securities estimates

## Exhibit 82: AOL France Cash Flow Projections

| | 1999A | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (11.5) | (9.5) | (1.8) | 16.2 | 44.7 | 74.8 | 109.4 | 153.1 | 201.3 | 264.0 |
| Depreciation and Amortization | 4.5 | 7.2 | 12.1 | 16.0 | 17.0 | 18.4 | 19.5 | 20.4 | 21.1 | 21.7 |
| **After-Tax Cash Flow** | **(7.0)** | **(2.4)** | **10.4** | **32.1** | **61.8** | **93.2** | **129.0** | **173.5** | **222.5** | **285.7** |
| Capital Spending | (10.7) | (20.7) | (26.9) | (20.0) | (20.0) | (20.0) | (20.0) | (20.0) | (20.0) | (20.0) |
| **Free Cash Flow** | **(17.6)** | **(23.0)** | **(16.5)** | **12.1** | **41.8** | **73.2** | **109.0** | **153.5** | **202.5** | **265.7** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (17.6) | (40.6) | (57.2) | (45.0) | (3.3) | 69.9 | 178.9 | 332.4 | 534.9 |
| Ending | (17.6) | (40.6) | (57.2) | (45.0) | (3.3) | 69.9 | 178.9 | 332.4 | 534.9 | 800.6 |
| Average | (8.8) | (29.1) | (48.9) | (51.1) | (24.2) | 33.3 | 124.4 | 255.7 | 433.6 | 667.7 |

Source: Credit Lyonnais Securities estimates

## Exhibit 83: AOL France Depreciation Schedule

| | 1999A | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 12.0 | 20.3 | 36.9 | 56.4 | 65.1 | 72.1 | 77.7 | 82.1 | 85.7 | 88.6 |
| Capital Spending | 10.7 | 20.7 | 26.9 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (4.5) | (7.2) | (12.1) | (16.0) | (17.0) | (18.4) | (19.5) | (20.4) | (21.1) | (21.7) |

Source: Credit Lyonnais Securities estimates

## Exhibit 84: AOL France DCF Valuation

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2001E | 2002E |
|---|---|---|---|---|---|---|---|---|---|---|
| Free Cash Flow | (17.6) | (23.0) | (16.5) | 12.1 | 41.8 | 73.2 | 109.0 | 153.5 | 202.5 | 265.7 |
| Add: After-Tax Interest (0 if Net Cash) | 0.7 | 2.3 | 3.9 | 4.1 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow to Firm (FCFF)** | **(16.9)** | **(20.7)** | **(12.6)** | **16.2** | **43.7** | **73.2** | **109.0** | **153.5** | **202.5** | **265.7** |
| % Change | | 22.2% | -39.0% | -228.6% | 169.4% | 67.6% | 48.8% | 40.9% | 31.9% | 31.3% |
| Assumptions: | | | | | | | | | | |
| Terminal Growth Rate | 11.5% | | | | | | | | | |
| WACC | 14.6% | | | | | | | | | |
| Terminal | 32.3x | | | | | | | | | |
| Years to Discount | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | | 0 | 1 | 2 | 3 | 4 |
| | | | | | | | 0 | 1 | 2 | 3 |
| | | | | | | | | 0 | 1 | 2 |
| | | | | | | | | | 0 | 1 |
| | | | | | | | | | | 0 |
| Present Value of FCFF | (16.9) | (18.1) | (9.7) | 10.9 | 25.9 | 38.0 | 49.6 | 61.3 | 71.0 | 81.7 |
| | | (20.7) | (11.1) | 12.5 | 29.5 | 43.4 | 56.6 | 69.9 | 80.9 | 93.2 |
| | | | (12.6) | 14.2 | 33.6 | 49.4 | 64.5 | 79.7 | 92.2 | 106.2 |
| | | | | 16.2 | 38.3 | 56.3 | 73.6 | 90.9 | 105.1 | 121.1 |
| | | | | | 43.7 | 64.2 | 83.8 | 103.6 | 119.9 | 138.0 |
| | | | | | | 73.2 | 95.6 | 118.1 | 136.7 | 157.3 |
| | | | | | | | 109.0 | 134.7 | 155.8 | 179.4 |
| | | | | | | | | 153.5 | 177.6 | 204.5 |
| | | | | | | | | | 202.5 | 233.1 |
| | | | | | | | | | | 265.7 |
| Sum of Present Value or FCFF Stream | 293.7 | 354.2 | 427.3 | 501.5 | 553.3 | 580.9 | 578.8 | 535.6 | 435.5 | 265.7 |
| Present Value of Terminal Value | 2,928.1 | 3,338.0 | 3,805.4 | 4,338.1 | 4,945.4 | 5,637.8 | 6,427.1 | 7,326.9 | 8,352.7 | 9,522.0 |
| Ending Net Cash (Debt) | (17.6) | (40.6) | (57.2) | (45.0) | (3.3) | 69.9 | 178.9 | 332.4 | 534.9 | 800.6 |
| **Net Present Value** | **3,204.2** | **3,651.6** | **4,175.5** | **4,794.6** | **5,495.4** | **6,288.7** | **7,184.8** | **8,194.9** | **9,323.1** | **10,588.4** |
| % Change | | 14.0% | 14.3% | 14.8% | 14.6% | 14.4% | 14.2% | 14.1% | 13.8% | 13.6% |

Source: Credit Lyonnais Securities estimates

# Other AOL Europe Territories

## Exhibit 85: AOL Europe (Other Territories) Subscription Revenue Projections

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Subscription Revenues: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.100 | 0.150 | 0.300 | 0.700 | 1.300 | 1.900 | 2.440 | 2.926 | 3.363 | 3.757 |
| Additions | 0.050 | 0.150 | 0.400 | 0.600 | 0.600 | 0.540 | 0.486 | 0.437 | 0.394 | 0.354 |
| Ending | 0.150 | 0.300 | 0.700 | 1.300 | 1.900 | 2.440 | 2.926 | 3.363 | 3.757 | 4.111 |
| Average | 0.125 | 0.225 | 0.500 | 1.000 | 1.600 | 2.170 | 2.683 | 3.145 | 3.560 | 3.934 |
| Weighted Average Subscription Rate | $25.00 | $24.00 | $22.80 | $21.66 | $20.36 | $18.94 | $17.42 | $16.03 | $14.42 | $12.98 |
| | -3.0% | -4.0% | -5.0% | -5.0% | -6.0% | -7.0% | -8.0% | -8.0% | -10.0% | -10.0% |
| Total AOL Subscription Revenues | 37.5 | 64.8 | 136.8 | 259.9 | 390.9 | 493.1 | 560.9 | 604.8 | 616.2 | 612.9 |
| % Change | | 72.8% | 111.1% | 90.0% | 50.4% | 26.1% | 13.7% | 7.8% | 1.9% | -0.5% |
| Carrier Fees: | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Subscribers | 0.125 | 0.225 | 0.500 | 1.000 | 1.600 | 2.170 | 2.683 | 3.145 | 3.560 | 3.934 |
| x Average Daily Connections | 0.5 | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 |
| x Average Monthly Connections per Average Subscriber | 15.0 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 |
| x Average Duration of Connection (Minutes) | 12.0 | 14.5 | 16.0 | 17.2 | 18.1 | 19.0 | 19.9 | 20.9 | 22.0 | 23.1 |
| = Average Usage per Subscriber Per Month | 180.0 | 304.5 | 358.9 | 413.4 | 461.2 | 512.8 | 568.3 | 628.1 | 692.5 | 761.8 |
| x Average Monthly Subscription Rate Per Minute (-5% per Yr) | $0.02 | $0.02 | $0.02 | $0.02 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 |
| x 12 = Annual Carrier Fees | 5.4 | 15.6 | 38.9 | 80.6 | 129.5 | 175.7 | 216.7 | 252.6 | 283.8 | 310.5 |
| % Change | | 189.3% | 148.8% | 107.4% | 60.7% | 35.7% | 23.3% | 16.6% | 12.3% | 9.4% |
| ***Total Other AOL Europe Subscription Revenues*** | **42.9** | **80.4** | **175.7** | **340.5** | **520.4** | **668.8** | **777.6** | **857.4** | **900.0** | **923.4** |
| % Change | | 87.5% | 118.4% | 93.8% | 52.8% | 28.5% | 16.3% | 10.3% | 5.0% | 2.6% |

Source: Credit Lyonnais Securities estimates

## Exhibit 86: AOL Europe (Other Territories) Advertising and E-Commerce Revenue Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.125 | 0.225 | 0.500 | 1.000 | 1.600 | 2.170 | 2.683 | 3.145 | 3.560 | 3.934 |
| x Average Monthly User Sessions per Average Subscriber | 15.0 | 21.0 | 22.5 | 24.0 | 25.5 | 27.0 | 28.5 | 30.0 | 31.5 | 33.0 |
| x Average Page Views per Session | 11.0 | 12.1 | 13.3 | 14.0 | 14.7 | 15.3 | 15.9 | 16.5 | 17.2 | 17.9 |
| x 12 = Total Page Views in Subscription Areas | 247.5 | 686.1 | 1,796.9 | 4,024.9 | 7,184.5 | 10,729.9 | 14,563.6 | 18,686.9 | 23,102.5 | 27,814.8 |
| Non-Subscription Areas | | | | | | | | | | |
| Aggregate Average Monthly Unique Visitors | 1.1 | 1.2 | 1.3 | 1.4 | 1.6 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 |
| x Average Monthly User Sessions per Unique Visitor | 3.3 | 3.5 | 3.7 | 4.0 | 4.2 | 4.4 | 4.7 | 4.9 | 5.1 | 5.4 |
| x Average Page Views per Session | 5.4 | 5.8 | 6.1 | 6.4 | 6.8 | 7.0 | 7.3 | 7.6 | 7.9 | 8.2 |
| x 12 = Total Page Views in Non-Subscriber Areas | 235.2 | 300.4 | 364.3 | 446.2 | 531.3 | 615.0 | 711.8 | 816.2 | 935.8 | 1,073.0 |
| Total AOL Page Views | 482.7 | 986.5 | 2,161.2 | 4,471.1 | 7,715.8 | 11,344.8 | 15,275.5 | 19,503.1 | 24,038.4 | 28,887.8 |
| x Advertising Revenues Per Page View (+10% Yr) | $6.70 | $8.04 | $9.65 | $11.58 | $13.31 | $14.65 | $15.82 | $17.08 | $18.45 | $19.93 |
| **Total Advertising Revenues** | **3.2** | **7.9** | **20.9** | **51.8** | **102.7** | **166.2** | **241.6** | **333.2** | **443.5** | **575.6** |
| % Change | | 145.2% | 162.9% | 148.3% | 98.5% | 61.7% | 45.4% | 37.9% | 33.1% | 29.8% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.1% | 0.1% | 0.2% | 0.3% | 0.5% | 0.6% | 0.8% | 0.9% | 1.1% | 1.2% |
| Page Views on Commerce Sites | 0.4 | 1.2 | 4.9 | 14.5 | 36.7 | 70.9 | 118.4 | 180.4 | 258.4 | 339.4 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.1 | 0.3 | 1.0 | 3.3 | 8.6 | 17.4 | 30.2 | 47.8 | 71.1 | 96.7 |
| x Average Purchase/Download Price | $25.00 | $26.00 | $26.78 | $27.58 | $28.41 | $29.26 | $30.14 | $31.05 | $31.98 | $32.94 |
| = Total E-Commerce Purchases ($ millions) | 1.8 | 6.6 | 28.0 | 90.2 | 244.7 | 508.4 | 909.9 | 1,484.2 | 2,272.4 | 3,186.2 |
| x AOL Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= AOL E-Commerce Fees** | **0.2** | **0.7** | **2.8** | **9.0** | **24.5** | **50.8** | **91.0** | **148.4** | **227.2** | **318.6** |
| % Change | | 263.1% | 326.0% | 222.1% | 171.3% | 107.7% | 79.0% | 63.1% | 53.1% | 40.2% |
| **Total Advertising and E-Commerce Fees** | **3.4** | **8.6** | **23.7** | **60.8** | **127.2** | **217.0** | **332.6** | **481.6** | **670.7** | **894.2** |
| % Change | | 151.5% | 175.4% | 157.0% | 109.3% | 70.6% | 53.3% | 44.8% | 39.3% | 33.3% |

Source: Credit Lyonnais Securities estimates

## Exhibit 87: AOL Europe (Other Territories) Income Statement Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | 42.9 | 80.4 | 175.7 | 340.5 | 520.4 | 668.8 | 777.6 | 857.4 | 900.0 | 923.4 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 3.2 | 7.9 | 20.9 | 51.8 | 102.7 | 166.2 | 241.6 | 333.2 | 443.5 | 575.6 |
| E-Commerce | 0.2 | 0.7 | 2.8 | 9.0 | 24.5 | 50.8 | 91.0 | 148.4 | 227.2 | 318.6 |
| Total Advertising and E-Commerce Fees | 3.4 | 8.6 | 23.7 | 60.8 | 127.2 | 217.0 | 332.6 | 481.6 | 670.7 | 894.2 |
| **Total Consolidated Other AOL Europe Revenues** | **46.3** | **89.0** | **199.3** | **401.3** | **647.6** | **885.8** | **1,110.2** | **1,339.0** | **1,570.8** | **1,817.6** |
| % Change | | 92.2% | 123.9% | 101.3% | 61.4% | 36.8% | 25.3% | 20.6% | 17.3% | 15.7% |
| Costs of Revenues | (32.4) | (61.4) | (135.5) | (268.9) | (427.4) | (580.2) | (721.6) | (863.7) | (1,005.3) | (1,154.2) |
| Gross Profit | 13.9 | 27.6 | 63.8 | 132.4 | 220.2 | 305.6 | 388.6 | 475.4 | 565.5 | 663.4 |
| % Margin | 30.0% | 31.0% | 32.0% | 33.0% | 34.0% | 34.5% | 35.0% | 35.5% | 36.0% | 36.5% |
| % Change | | 98.6% | 131.2% | 107.6% | 66.3% | 38.8% | 27.2% | 22.3% | 19.0% | 17.3% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (5.6) | (12.2) | (25.7) | (48.7) | (74.1) | (95.4) | (112.1) | (124.8) | (134.3) | (140.9) |
| Sales and Marketing per Average Analog Subscriber | ($45.00) | ($54.00) | ($51.30) | ($48.74) | ($46.30) | ($43.98) | ($41.78) | ($39.69) | ($37.71) | ($35.82) |
| Product Development | (6.7) | (11.1) | (21.9) | (38.1) | (55.0) | (70.9) | (83.3) | (93.7) | (102.1) | (109.1) |
| General and Administrative | (5.6) | (6.7) | (7.5) | (8.2) | (9.0) | (9.6) | (10.2) | (10.8) | (11.4) | (12.1) |
| Total | (17.9) | (29.9) | (55.0) | (95.1) | (138.2) | (175.9) | (205.5) | (229.3) | (247.8) | (262.1) |
| **EBITDA** | **(4.0)** | **(2.4)** | **8.7** | **37.4** | **82.0** | **129.7** | **183.0** | **246.0** | **317.7** | **401.3** |
| % Margin | -8.6% | -2.6% | 4.4% | 9.3% | 12.7% | 14.6% | 16.5% | 18.4% | 20.2% | 22.1% |
| % Change | | | | 327.5% | 119.6% | 58.1% | 41.1% | 34.4% | 29.1% | 26.3% |
| Depreciation and Amortization | (16.7) | (15.8) | (17.3) | (20.0) | (20.2) | (20.7) | (21.2) | (21.5) | (21.8) | (22.1) |
| **Operating Income** | **(20.7)** | **(18.2)** | **(8.6)** | **17.4** | **61.8** | **109.0** | **161.8** | **224.5** | **295.9** | **379.3** |
| % Margin | -44.6% | -20.4% | -4.3% | 4.3% | 9.5% | 12.3% | 14.6% | 16.8% | 18.8% | 20.9% |
| % Change | | | | | 255.8% | 76.2% | 48.5% | 38.7% | 31.8% | 28.2% |
| Net Interest Expense | (0.5) | (1.7) | (3.2) | (3.3) | (0.2) | 4.3 | 11.6 | 22.2 | 36.8 | 56.2 |
| **Pretax Income** | **(21.2)** | **(19.9)** | **(11.8)** | **14.1** | **61.6** | **113.3** | **173.4** | **246.7** | **332.7** | **435.4** |
| % Margin | -45.7% | -22.4% | -5.9% | 3.5% | 9.5% | 12.8% | 15.6% | 18.4% | 21.2% | 24.0% |
| % Change | | | | | 337.6% | 83.8% | 53.1% | 42.2% | 34.9% | 30.9% |

Source: Credit Lyonnais Securities estimates

## Exhibit 88: AOL Europe (Other Territories) Margin Analysis

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (21.2) | (19.9) | (11.8) | 14.1 | 61.6 | 113.3 | 173.4 | 246.7 | 332.7 | 435.4 |
| Depreciation and Amortization | 16.7 | 15.8 | 17.3 | 20.0 | 20.2 | 20.7 | 21.2 | 21.5 | 21.8 | 22.1 |
| **After-Tax Cash Flow** | **(4.5)** | **(4.1)** | **5.6** | **34.1** | **81.8** | **134.0** | **194.6** | **268.2** | **354.5** | **457.5** |
| Capital Spending | (8.3) | (13.4) | (23.9) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) |
| **Free Cash Flow** | **(12.9)** | **(17.4)** | **(18.3)** | **14.9** | **62.7** | **114.9** | **175.5** | **249.1** | **335.4** | **438.3** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (12.9) | (30.3) | (48.6) | (33.7) | 29.0 | 143.9 | 319.4 | 568.5 | 903.8 |
| Ending | (12.9) | (30.3) | (48.6) | (33.7) | 29.0 | 143.9 | 319.4 | 568.5 | 903.8 | 1,342.2 |
| Average | (6.4) | (21.6) | (39.5) | (41.2) | (2.3) | 86.4 | 231.6 | 443.9 | 736.2 | 1,123.0 |

Source: Credit Lyonnais Securities estimates

## Exhibit 89: AOL Europe (Other Territories) Cash Flow Projections

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (21.2) | (19.9) | (11.8) | 14.1 | 61.6 | 113.3 | 173.4 | 246.7 | 332.7 | 435.4 |
| Depreciation and Amortization | 16.7 | 15.8 | 17.3 | 20.0 | 20.2 | 20.7 | 21.2 | 21.5 | 21.8 | 22.1 |
| **After-Tax Cash Flow** | **(4.5)** | **(4.1)** | **5.6** | **34.1** | **81.8** | **134.0** | **194.6** | **268.2** | **354.5** | **457.5** |
| Capital Spending | (8.3) | (13.4) | (23.9) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) | (19.1) |
| **Free Cash Flow** | **(12.9)** | **(17.4)** | **(18.3)** | **14.9** | **62.7** | **114.9** | **175.5** | **249.1** | **335.4** | **438.3** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (12.9) | (30.3) | (48.6) | (33.7) | 29.0 | 143.9 | 319.4 | 568.5 | 903.8 |
| Ending | (12.9) | (30.3) | (48.6) | (33.7) | 29.0 | 143.9 | 319.4 | 568.5 | 903.8 | 1,342.2 |
| Average | (6.4) | (21.6) | (39.5) | (41.2) | (2.3) | 86.4 | 231.6 | 443.9 | 736.2 | 1,123.0 |

Source: Credit Lyonnais Securities estimates

## Exhibit 90: AOL Europe (Other Territories) Depreciation Schedule

| | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 75.0 | 68.3 | 68.0 | 78.3 | 81.8 | 84.6 | 86.8 | 88.6 | 90.0 | 91.1 |
| Capital Spending | 8.3 | 13.4 | 23.9 | 19.1 | 19.1 | 19.1 | 19.1 | 19.1 | 19.1 | 19.1 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (16.7) | (15.8) | (17.3) | (20.0) | (20.2) | (20.7) | (21.2) | (21.5) | (21.8) | (22.1) |

Source: Credit Lyonnais Securities estimates

## Exhibit 91: AOL Europe (Other Territories) DCF Valuation

| ($ Millions) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Free Cash Flow | (12.9) | (17.4) | (18.3) | 14.9 | 62.7 | 114.9 | 175.5 | 249.1 | 335.4 | 438.3 |
| Add: After-Tax Interest (0 if Net Cash) | 0.5 | 1.7 | 3.2 | 3.3 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Free Cash Flow to Firm (FCFF)** | **(12.3)** | **(15.7)** | **(15.2)** | **18.2** | **62.9** | **114.9** | **175.5** | **249.1** | **335.4** | **438.3** |
| % Change | | | | | 245.2% | 82.7% | 52.7% | 41.9% | 34.6% | 30.7% |
| Assumptions: | | | | | | | | | | |
| Terminal Growth Rate | 12.0% | | | | | | | | | |
| WACC | 14.8% | | | | | | | | | |
| Terminal | 35.1x | | | | | | | | | |
| Years to Discount | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | | | 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | | 0 | 1 | 2 | 3 | 4 |
| | | | | | | | 0 | 1 | 2 | 3 |
| | | | | | | | | 0 | 1 | 2 |
| | | | | | | | | | 0 | 1 |
| | | | | | | | | | | 0 |
| Present Value of FCFF | (12.3) | (13.8) | (11.7) | 12.3 | 37.2 | 59.7 | 79.9 | 99.5 | 117.6 | 134.8 |
| | | (15.7) | (13.3) | 14.0 | 42.4 | 68.0 | 91.1 | 113.5 | 134.0 | 153.7 |
| | | | (15.2) | 16.0 | 48.4 | 77.5 | 103.9 | 129.4 | 152.8 | 175.2 |
| | | | | 18.2 | 55.2 | 88.4 | 118.4 | 147.5 | 174.2 | 199.7 |
| | | | | | 62.9 | 100.8 | 135.0 | 168.1 | 198.6 | 227.7 |
| | | | | | | 114.9 | 153.9 | 191.7 | 226.4 | 259.5 |
| | | | | | | | 175.5 | 218.5 | 258.1 | 295.9 |
| | | | | | | | | 249.1 | 294.2 | 337.3 |
| | | | | | | | | | 335.4 | 384.5 |
| | | | | | | | | | | 438.3 |
| Sum of Present Value or FCFF Stream | 503.3 | 587.8 | 688.0 | 801.6 | 893.1 | 946.4 | 947.9 | 880.6 | 719.9 | 438.3 |
| Present Value of Terminal Value | 5,254.2 | 5,989.8 | 6,828.4 | 7,784.4 | 8,874.2 | 10,116.6 | 11,532.9 | 13,147.5 | 14,988.2 | 17,086.5 |
| Ending Net Cash (Debt) | (12.9) | (30.3) | (48.6) | (33.7) | 29.0 | 143.9 | 319.4 | 568.5 | 903.8 | 1,342.2 |
| **Net Present Value** | **5,744.7** | **6,547.3** | **7,467.8** | **8,552.3** | **9,796.3** | **11,206.9** | **12,800.2** | **14,596.6** | **16,611.9** | **18,867.1** |
| % Change | | 14.0% | 14.1% | 14.5% | 14.5% | 14.4% | 14.2% | 14.0% | 13.8% | 13.6% |

Source: Credit Lyonnais Securities estimates

# CompuServe Europe

## Exhibit 92: CompuServe Europe Subscription Revenue Projections

| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|
| Subscription Revenues: | | | | | | | | | | |
| Subscribers (millions): | | | | | | | | | | |
| Beginning | 0.750 | 0.825 | 0.925 | 1.015 | 1.096 | 1.169 | 1.227 | 1.274 | 1.311 | 1.341 |
| Additions | 0.075 | 0.100 | 0.090 | 0.081 | 0.073 | 0.058 | 0.047 | 0.037 | 0.030 | 0.024 |
| Ending | 0.825 | 0.925 | 1.015 | 1.096 | 1.169 | 1.227 | 1.274 | 1.311 | 1.341 | 1.365 |
| Average | 0.788 | 0.875 | 0.970 | 1.056 | 1.132 | 1.198 | 1.251 | 1.293 | 1.326 | 1.353 |
| Weighted Average Subscription Rate | $18.00 | $17.46 | $16.76 | $16.09 | $15.13 | $14.07 | $12.94 | $11.91 | $10.72 | $9.64 |
| | | -3.0% | -4.0% | -4.0% | -6.0% | -7.0% | -8.0% | -8.0% | -10.0% | -10.0% |
| Total Subscription Revenues | 170.1 | 183.3 | 195.1 | 203.8 | 205.5 | 202.2 | 194.2 | 184.7 | 170.5 | 156.6 |
| % Change | | 7.8% | 6.4% | 4.5% | 0.9% | -1.6% | -4.0% | -4.9% | -7.7% | -8.2% |
| Carrier Fees. | | | | | | | | | | |
| Usage: | | | | | | | | | | |
| Average Subscribers | 0.788 | 0.875 | 0.970 | 1.056 | 1.132 | 1.198 | 1.251 | 1.293 | 1.326 | 1.353 |
| x Average Daily Connections | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| x Average Monthly Connections per Average Subscriber | 19.5 | 24.0 | 25.5 | 27.0 | 27.8 | 28.5 | 29.3 | 30.0 | 30.0 | 30.0 |
| x Average Duration of Connection (Minutes) | 12.0 | 14.5 | 16.0 | 17.2 | 18.1 | 19.0 | 19.9 | 20.9 | 22.0 | 23.1 |
| = Average Usage per Subscriber Per Month | 234.0 | 348.0 | 406.7 | 465.1 | 501.9 | 541.3 | 583.3 | 628.1 | 659.6 | 692.5 |
| x Average Monthly Subscription Rate Per Minute (-5% per Yr) | $0.02 | $0.02 | $0.02 | $0.02 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 | $0.01 |
| x 12 = Annual Carrier Fees | 44.2 | 69.4 | 85.5 | 95.7 | 99.7 | 102.4 | 103.7 | 103.8 | 100.7 | 97.1 |
| % Change | | 57.0% | 23.1% | 12.0% | 4.2% | 2.7% | 1.2% | 0.2% | -3.0% | -3.6% |
| **Total CompuServe Europe Subscription Revenues** | **214.3** | **252.8** | **280.6** | **299.5** | **305.3** | **304.6** | **297.9** | **288.5** | **271.2** | **253.7** |
| % Change | | 17.9% | 11.0% | 6.8% | 1.9% | -0.2% | -2.2% | -3.1% | -6.0% | -6.5% |

Source: Credit Lyonnais Securities estimates

## Exhibit 93: CompuServe Europe Advertising Revenue Projections

| ($ millions) | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Advertising and E-Commerce Fees: | | | | | | | | | | |
| Advertising: | | | | | | | | | | |
| Average Subscribers | 0.788 | 0.875 | 0.970 | 1.056 | 1.132 | 1.198 | 1.251 | 1.293 | 1.326 | 1.353 |
| x Average Monthly User Sessions per Average Subscriber | 19.5 | 24.0 | 25.5 | 27.0 | 27.8 | 28.5 | 29.3 | 30.0 | 30.0 | 30.0 |
| x Average Page Views per Session | 14.3 | 15.7 | 17.3 | 18.2 | 19.1 | 19.8 | 20.6 | 21.5 | 22.3 | 23.2 |
| x 12 = Total Page Views in Subscription Areas | 2,635.1 | 3,964.0 | 5,135.9 | 6,213.2 | 7,193.9 | 8,129.0 | 9,056.8 | 9,985.0 | 10,654.2 | 11,304.9 |
| x Advertising Revenues Per Page View (+10% Yr) | $5.50 | $6.33 | $7.27 | $8.36 | $9.20 | $9.94 | $10.73 | $11.59 | $12.52 | $13.52 |
| **Total Advertising Revenues** | **14.5** | **25.1** | **37.4** | **52.0** | **66.2** | **80.8** | **97.2** | **115.7** | **133.4** | **152.8** |
| % Change | | 73.0% | 49.0% | 39.1% | 27.4% | 22.0% | 20.3% | 19.1% | 15.2% | 14.6% |
| E-Commerce Fees: | | | | | | | | | | |
| Commerce Site Page Views—% of Total Annual Page Views | 0.1% | 0.1% | 0.2% | 0.2% | 0.3% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% |
| Page Views on Commerce Sites | 1.3 | 4.0 | 7.7 | 12.4 | 18.0 | 24.4 | 31.7 | 39.9 | 47.9 | 56.5 |
| x Take Rate (%) Weighted by Quantity Purchased per Purchase | 20.0% | 20.5% | 21.5% | 22.5% | 23.5% | 24.5% | 25.5% | 26.5% | 27.5% | 28.5% |
| = Total E-Commerce Purchases | 0.3 | 0.8 | 1.7 | 2.8 | 4.2 | 6.0 | 8.1 | 10.6 | 13.2 | 16.1 |
| x Average Purchase/Download Price | $40.00 | $41.60 | $42.85 | $44.13 | $45.46 | $46.82 | $48.23 | $49.67 | $51.16 | $52.70 |
| = Total E-Commerce Purchases ($ millions) | 10.5 | 33.8 | 71.0 | 123.4 | 192.1 | 279.7 | 389.8 | 525.7 | 674.6 | 848.9 |
| x CompuServe Commissions (%) | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| **= E-Commerce Fees** | **1.1** | **3.4** | **7.1** | **12.3** | **19.2** | **28.0** | **39.0** | **52.6** | **67.5** | **84.9** |
| % Change | | 220.7% | 109.9% | 73.9% | 55.7% | 45.6% | 39.3% | 34.9% | 28.3% | 25.8% |
| **Total Advertising and E-Commerce Fees** | **15.5** | **28.5** | **44.5** | **64.3** | **85.4** | **108.8** | **136.2** | **168.3** | **200.8** | **237.7** |
| % Change | | 83.0% | 56.2% | 44.7% | 32.8% | 27.3% | 25.2% | 23.6% | 19.3% | 18.4% |

Source: Credit Lyonnais Securities estimates

## Exhibit 94: CompuServe Europe Income Statement Projections

| | 1999E | 2000E | 2001E | 2002E | 2003E | 2004E | 2005E | 2006E | 2007E | 2008E |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Subscription | 214.3 | 252.8 | 280.6 | 299.5 | 305.3 | 304.6 | 297.9 | 288.5 | 271.2 | 253.7 |
| Advertising, E-Commerce Fees and Other Revenues | | | | | | | | | | |
| Advertising | 14.5 | 25.1 | 37.4 | 52.0 | 66.2 | 80.8 | 97.2 | 115.7 | 133.4 | 152.8 |
| E-Commerce | 1.1 | 3.4 | 7.1 | 12.3 | 19.2 | 28.0 | 39.0 | 52.6 | 67.5 | 84.9 |
| Total Advertising and E-Commerce Fees | 15.5 | 28.5 | 44.5 | 64.3 | 85.4 | 108.8 | 136.2 | 168.3 | 200.8 | 237.7 |
| **Total Consolidated CompuServe Europe Revenues** | **229.9** | **281.2** | **325.0** | **363.8** | **390.7** | **413.4** | **434.0** | **456.8** | **472.0** | **491.4** |
| % Change | | 22.3% | 15.6% | 11.9% | 7.4% | 5.8% | 5.0% | 5.2% | 3.3% | 4.1% |
| Costs of Revenues | (147.1) | (168.7) | (188.5) | (203.7) | (211.0) | (215.0) | (221.4) | (228.4) | (231.3) | (235.9) |
| Gross Profit | 82.8 | 112.5 | 136.5 | 160.1 | 179.7 | 198.4 | 212.7 | 228.4 | 240.7 | 255.5 |
| % Margin | 36.0% | 40.0% | 42.0% | 44.0% | 46.0% | 48.0% | 49.0% | 50.0% | 51.0% | 52.0% |
| % Change | | 35.9% | 21.4% | 17.3% | 12.3% | 10.4% | 7.2% | 7.4% | 5.4% | 6.1% |
| Other Operating Costs: | | | | | | | | | | |
| Sales and Marketing | (23.6) | (25.6) | (27.7) | (29.3) | (30.9) | (32.0) | (32.7) | (33.1) | (33.3) | (33.3) |
| Sales and Marketing per Average Analog Subscriber | ($30.00) | ($29.25) | ($28.52) | ($27.81) | ($27.25) | ($26.70) | ($26.17) | ($25.65) | ($25.13) | ($24.63) |
| Product Development | (26.4) | (30.2) | (33.3) | (35.5) | (36.1) | (36.2) | (35.8) | (35.4) | (34.2) | (33.2) |
| General and Administrative | (23.0) | (27.6) | (30.9) | (34.0) | (37.4) | (39.6) | (42.0) | (44.5) | (47.2) | (50.0) |
| Total | (73.0) | (83.4) | (91.9) | (98.8) | (104.4) | (107.8) | (110.5) | (113.1) | (114.7) | (116.5) |
| **EBITDA** | **9.7** | **29.1** | **44.6** | **61.3** | **75.3** | **90.6** | **102.1** | **115.3** | **126.0** | **139.0** |
| % Margin | 4.2% | 10.3% | 13.7% | 16.8% | 19.3% | 21.9% | 23.5% | 25.2% | 26.7% | 28.3% |
| % Change | | 199.5% | 53.5% | 37.3% | 22.9% | 20.3% | 12.7% | 12.9% | 9.2% | 10.3% |
| Depreciation and Amortization | (17.4) | (22.7) | (26.5) | (28.0) | (28.1) | (28.8) | (29.2) | (29.6) | (29.9) | (30.2) |
| **Operating Income** | **(7.6)** | **6.4** | **18.1** | **33.2** | **47.2** | **61.9** | **72.9** | **85.7** | **96.0** | **108.8** |
| % Margin | -3.3% | 2.3% | 5.6% | 9.1% | 12.1% | 15.0% | 16.8% | 18.8% | 20.3% | 22.1% |
| % Change | | | 184.0% | 83.4% | 41.9% | 31.1% | 17.8% | 17.6% | 12.1% | 13.3% |
| Net Interest Expense | (1.1) | (2.7) | (2.7) | (0.9) | 1.5 | 4.5 | 8.4 | 13.1 | 18.6 | 25.0 |
| **Pretax Income** | **(8.8)** | **3.7** | **15.4** | **32.3** | **48.7** | **66.4** | **81.3** | **98.8** | **114.6** | **133.8** |
| % Margin | -3.8% | 1.3% | 4.8% | 8.9% | 12.5% | 16.1% | 18.7% | 21.6% | 24.3% | 27.2% |
| % Change | | | 314.7% | 109.2% | 50.8% | 36.3% | 22.4% | 21.5% | 16.1% | 16.7% |

Source: Credit Lyonnais Securities estimates

## Exhibit 95: CompuServe Europe Margin Analysis

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Margin | 36.0% | 40.0% | 42.0% | 44.0% | 46.0% | 48.0% | 49.0% | 50.0% | 51.0% | 52.0% |
| Operating Costs as a % of Revenues | | | | | | | | | | |
| Sales and Marketing | 10.3% | 9.1% | 8.5% | 8.1% | 7.9% | 7.7% | 7.5% | 7.3% | 7.1% | 6.8% |
| Product Development | 11.5% | 10.8% | 10.3% | 9.8% | 9.3% | 8.8% | 8.3% | 7.8% | 7.3% | 6.8% |
| General and Administrative | 10.0% | 9.8% | 9.5% | 9.3% | 9.6% | 9.6% | 9.7% | 9.7% | 10.0% | 10.2% |
| Total | 31.8% | 29.7% | 28.3% | 27.2% | 26.7% | 26.1% | 25.5% | 24.8% | 24.3% | 23.7% |
| **EBITDA Margin** | **4.2%** | **10.3%** | **13.7%** | **16.8%** | **19.3%** | **21.9%** | **23.5%** | **25.2%** | **26.7%** | **28.3%** |

Source: Credit Lyonnais Securities estimates

## Exhibit 96: CompuServe Europe Cash Flow Projections

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Pretax Income | (8.8) | 3.7 | 15.4 | 32.3 | 48.7 | 66.4 | 81.3 | 98.8 | 114.6 | 133.8 |
| Depreciation and Amortization | 17.4 | 22.7 | 26.5 | 28.0 | 28.1 | 28.8 | 29.2 | 29.6 | 29.9 | 30.2 |
| **After-Tax Cash Flow** | **8.6** | **26.4** | **41.9** | **60.3** | **76.9** | **95.2** | **110.5** | **128.4** | **144.6** | **164.0** |
| Capital Spending | (36.8) | (36.6) | (32.5) | (26.0) | (26.0) | (26.0) | (26.0) | (26.0) | (26.0) | (26.0) |
| **Free Cash Flow** | **(28.2)** | **(10.1)** | **9.4** | **34.3** | **50.9** | **69.2** | **84.5** | **102.4** | **118.6** | **138.0** |
| Net Debt: | | | | | | | | | | |
| Beginning | 0.0 | (28.2) | (38.3) | (28.9) | 5.4 | 56.3 | 125.5 | 210.0 | 312.4 | 431.0 |
| Ending | (28.2) | (38.3) | (28.9) | 5.4 | 56.3 | 125.5 | 210.0 | 312.4 | 431.0 | 569.0 |
| Average | (14.1) | (33.3) | (33.6) | (11.7) | 30.9 | 90.9 | 167.8 | 261.2 | 371.7 | 500.0 |

Source: Credit Lyonnais Securities estimates

## Exhibit 97: CompuServe Europe Depreciation Schedule

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning PP&E | 50.0 | 76.8 | 96.0 | 110.9 | 114.7 | 117.8 | 120.2 | 122.2 | 123.7 | 125.0 |
| Capital Spending | 36.8 | 36.6 | 32.5 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| Acquired PP&E | | | | | | | | | | |
| Depreciation | (17.4) | (22.7) | (26.5) | (28.0) | (28.1) | (28.8) | (29.2) | (29.6) | (29.9) | (30.2) |

Source: Credit Lyonnais Securities estimates