Table 17: AOL Time Warner—Pro Forma Yearly Model 1998–2002E

	PF1998	PF1999	PF2000E	PF2001E	PF2002E	% Change PF1999	PF2000E	PF2001E	PF2002E
Revenues:									
Cable Networks	$5,377	$6,111	$7,040	$8,206	$9,478	13.7%	15.2%	16.6%	15.5%
Publishing	4,496	4,663	4,608	5,054	5,398	3.7%	-1.2%	9.7%	6.8%
Music	4,025	3,834	3,886	4,155	4,422	-4.7%	1.4%	6.9%	6.4%
Filmed Entertainment	7,978	8,075	8,682	9,324	9,978	1.2%	7.5%	7.4%	7.0%
WB Network	260	384	453	495	588	47.7%	18.1%	9.2%	18.7%
Cable	5,342	5,374	6,045	6,953	7,918	0.6%	12.5%	15.0%	13.9%
AOL	3,847	5,718	8,029	10,934	14,106	48.6%	40.4%	36.2%	29.0%
Time Warner Digital Media	-	-	-	25	100				
Intersegment Elimination	(1,234)	(1,109)	(1,329)	(1,456)	(1,596)	-10.1%	19.9%	9.6%	9.6%
Total Revenues	**30,091**	**33,050**	**37,413**	**43,691**	**50,393**	**9.8%**	**13.2%**	**16.8%**	**15.3%**
Total Revenues (Without Synergies)	**30,091**	**33,050**	**37,413**	**42,851**	**49,174**	**9.8%**	**13.2%**	**14.5%**	**14.8%**
EBITDA:									
Cable Networks	1,276	1,529	1,780	2,171	2,568	19.8%	16.4%	21.9%	18.3%
Publishing	687	760	858	1,039	1,171	10.6%	12.9%	21.0%	12.7%
Music	536	523	539	601	665	-2.4%	3.1%	11.4%	10.8%
Filmed Entertainment	867	1,153	972	1,114	1,225	33.0%	-15.7%	14.6%	9.9%
WB Network	(92)	(91)	(58)	(18)	44	-1.1%	-36.5%	-68.0%	-337.3%
Cable	2,558	4,713	2,837	3,218	3,639	84.2%	-39.8%	13.4%	13.1%
AOL	409	1,241	2,281	3,673	5,128	203.4%	83.8%	61.0%	39.6%
Time Warner Digital Media	0	(16)	(200)	(100)	(25)				
Intersegment Elimination	(94)	(10)	(68)	(105)	(130)	-89.4%	580.0%	54.4%	23.8%
Total EBITDA	**6,147**	**9,802**	**8,942**	**11,592**	**14,285**	**59.5%**	**-8.8%**	**29.6%**	**23.2%**
Total EBITDA (Without Synergies)	**6,147**	**9,802**	**8,942**	**10,657**	**12,965**	**59.5%**	**-8.8%**	**19.2%**	**21.7%**
Depreciation	(1,494)	(1,478)	(1,722)	(1,925)	(2,183)	-1.1%	16.5%	11.8%	13.4%
Amortization	(8,405)	(8,393)	(8,438)	(8,438)	(8,438)	-0.1%	0.5%	0.0%	0.0%
Operating Income	(3,752)	(69)	(1,218)	1,230	3,664	-98.2%	1668.2%	-200.9%	198.0%
Interest & Other, Net	(2,008)	(1,099)	(1,986)	(1,876)	(1,626)	-45.3%	80.7%	-5.5%	-13.3%
Minority Interest	(338)	(475)	(307)	(353)	(406)	40.5%	-35.4%	15.0%	15.0%
Corporate Expenses	(220)	(251)	(284)	(265)	(294)	14.1%	13.1%	-6.5%	10.9%
Pretax Income	(6,318)	(1,894)	(3,795)	(1,265)	1,338	-70.0%	100.4%	-66.7%	-205.7%
Income Tax	1,072	(627)	27	(1,038)	(2,079)	-158.5%	-104.3%	-3929.8%	100.3%
Income Before Extraordinary Items	(5,246)	(2,521)	(3,768)	(2,303)	(741)	-51.9%	49.5%	-38.9%	-67.8%
Extraordinary Loss on Debt Retirement	-	(12)	(425)	-	-				
Net Income	(5,246)	(2,533)	(4,193)	(2,303)	(741)	-51.7%	65.5%	-45.1%	-67.8%
Preferred Dividends	(540)	(52)	(15)	-	-	-90.4%	-71.2%		
Income for Common	($5,786)	($2,585)	($4,208)	($2,303)	($741)	-55.3%	62.8%	-45.3%	-67.8%
Income to Common Before Extra. Items	(5,786)	(2,573)	(3,783)	(2,303)	(741)	-55.5%	47.0%	-39.1%	-67.8%
EPS - Reported	**($1.31)**	**($0.54)**	**($0.79)**	**($0.47)**	**($0.15)**	**-58.8%**	**46.4%**	**-39.7%**	**-68.1%**
EPS - Excluding Non-Recurring Items	**($1.21)**	**($0.90)**	**($0.79)**	**($0.47)**	**($0.15)**	**-25.2%**	**-12.8%**	**-39.8%**	**-68.1%**
Cash Earnings (EPS+GW+Noncash Taxes)	**$0.17**	**$0.50**	**$0.85**	**$0.93**	**$1.37**	**196.3%**	**29.8%**	**41.7%**	**48.0%**
Shares Outstanding	4,460	4,790	4,805	4,853	4,902				
Effective Tax Rate	-17%	33%	-1%	82%	-155%				
EBITDA Margins:									
Cable Networks	*23.7%*	*25.0%*	*25.3%*	*26.5%*	*27.1%*				
Publishing	*15.3%*	*16.3%*	*18.6%*	*20.5%*	*21.7%*				
Music	*13.3%*	*13.6%*	*13.9%*	*14.5%*	*15.0%*				
Filmed Entertainment	*10.9%*	*14.3%*	*11.2%*	*11.9%*	*12.3%*				
Broadcasting-The WB Network	*-35.4%*	*-23.7%*	*-12.7%*	*-3.7%*	*7.5%*				
Cable	*47.9%*	*87.7%*	*46.9%*	*46.3%*	*46.0%*				
AOL	*10.6%*	*21.7%*	*28.4%*	*33.6%*	*36.4%*				
Total EBITDA	*20.4%*	*29.7%*	*23.9%*	*26.5%*	*28.3%*				
EBITDA Adjusted for Non-Recurring Items:									
EBITDA	**6,187**	**7,472**	**8,914**	**11,592**	**14,285**	**20.8%**	**19.3%**	**30.1%**	**23.2%**
EBITDA (Without Synergies)	**6,187**	**7,472**	**8,914**	**10,657**	**12,965**	**20.8%**	**19.3%**	**19.6%**	**21.7%**

Source: Company reports and First Union Securities, Inc., estimates

Note: AOL has a June fiscal year end. However, to ease comparability, earnings are presented on a calendar year end basis. This consistent with the merged company's planned fiscal year

Table 18: AOL Time Warner—Pro Forma Quarterly Model 1998–2000E

	Q1:98	Q1:99	% Chg.	Q1:00	% Chg.	Q2:98	Q2:99	% Chg.	Q2:00E	% Chg.	Q3:98	Q3:99	% Chg.	Q3:00E	% Chg.	Q4:98	Q4:99	% Chg.	Q4:00E	% Chg.
Revenues:																				
Cable Networks	$1,240	$1,364	10%	$1,586	16%	$1,415	$1,611	14%	$1,852	15%	$1,330	$1,450	9%	$1,662	15%	$1,392	$1,686	21%	$1,939	15%
Publishing	948	974	3%	939	-4%	1,136	1,153	1%	1,143	-1%	1,076	1,110	3%	1,107	0%	1,336	1,426	7%	1,419	-1%
Music	888	936	5%	917	-2%	905	828	-9%	820	-1%	938	852	-9%	894.60	5%	1,294	1,218	-6%	1,255	3%
Filmed Entertainment	1,684	1,697	1%	1,880	11%	1,834	1,783	-3%	1,901	7%	2,272	2,208	-3%	2,356	7%	2,188	2,387	9%	2,545	7%
WB Network	45	79	76%	102	29%	61	83	36%	101	22%	64	84	31%	102.48	22%	90	138	53%	148	7%
Cable	1,401	1,296	-7%	1,447	12%	1,326	1,330	0%	1,489	12%	1,288	1,342	4%	1,532	14%	1,327	1,406	6%	1,577	12%
AOL	757	1,253	66%	1,836	47%	943	1,377	46%	1,949	42%	999	1,467	47%	2,042	39%	1,148	1,621	41%	2,201	36%
Time Warner Digital Media	-	-		-		-	-		-		-	-		-		-	-		-	
Intersegment Elimination	(258)	(255)	-1%	(324)	27%	(241)	(257)	7%	(302)	17%	(375)	(323)	-14%	(381)	18%	(360)	(274)	-24%	(323)	18%
Total Revenues	**6,705**	**7,344**	**10%**	**8,383**	**14%**	**7,379**	**7,908**	**7%**	**8,953**	**13%**	**7,592**	**8,190**	**8%**	**9,316**	**14%**	**8,415**	**9,608**	**14%**	**10,761**	**12%**
Total Revenues (Without Synergies)	**6,705**	**7,344**	**10%**	**8,383**	**14%**	**7,379**	**7,908**	**7%**	**8,953**	**13%**	**7,592**	**8,190**	**8%**	**9,316**	**14%**	**8,415**	**9,608**	**14%**	**10,761**	**12%**
EBITDA:																				
Cable Networks	289	340	18%	397	17%	341	398	17%	458	15%	302	361	20%	418	16%	344	430	25%	507	18%
Publishing	104	113	9%	136	20%	195	215	10%	245	14%	132	148	12%	170	15%	256	284	11%	307	8%
Music	105	106	1%	100	-6%	106	116	9%	116	0%	111	98	-12%	105	8%	214	203	-5%	218	7%
Filmed Entertainment	146	405	177%	216	-47%	199	241	21%	236	-2%	282	274	-3%	274	0%	240	233	-3%	245	5%
Broadcasting-The WB Network	(38)	(41)	8%	(31)	-24%	(23)	(29)	26%	(20)	-31%	(16)	(24)	50%	(15)	-39%	(15)	3	-120%	8	161%
Cable	612	585	-4%	698	19%	663	1,378	108%	689	-50%	623	1097	76%	708	-35%	660	1653	150%	742	-55%
AOL	(20)	146	-812%	515	253%	57	311	449%	543	75%	159	365	130%	601	65%	214	419	96%	622	48%
Time Warner Digital Media	-	-		(30)		-	-		(60)		-	-		(55)		-	(16)		(55)	
Intersegment Elimination	(35)	12	-134%	(8)	-167%	(8)	1	-113%	(20)	-2100%	(33)	(23)	-30%	(20)	-13%	(18)	-	-100%	(20)	#DIV/0!
Total EBITDA	**1,163**	**1,666**	**43%**	**1,993**	**20%**	**1,530**	**2,631**	**72%**	**2,187**	**-17%**	**1,560**	**2,296**	**47%**	**2,187**	**-5%**	**1,895**	**3,209**	**69%**	**2,575**	**-20%**
Total EBITDA (Without Synergies)	**1,163**	**1,666**	**43%**	**1,993**	**20%**	**1,530**	**2,631**	**72%**	**2,187**	**-17%**	**1,560**	**2,296**	**47%**	**2,187**	**-5%**	**1,895**	**3,209**	**69%**	**2,575**	**-20%**
Depreciation	(377)	(339)	-10%	(394)	16%	(365)	(371)	2%	(422)	14%	(374)	(381)	2%	(444)	17%	(378)	(387)	2%	(462)	19%
Amortization	(2,098)	(2,085)	-1%	(2,110)	1%	(2,098)	(2,089)	0%	(2,110)	1%	(2,108)	(2,096)	-1%	(2,110)	10%	(2,103)	(2,125)	16%	(2,110)	-1%
Operating Income	(1,312)	(758)	-42%	(511)	-33%	(933)	171	-118%	(344)	-301%	(922)	(180)	-80%	(366)	103%	(586)	697	-219%	3	-99%
Interest & Other, Net	(425)	81	-119%	(472)	-683%	(424)	(324)	-24%	(515)	59%	(486)	(448)	-8%	(506)	13%	(673)	(408)	-39%	(493)	21%
Minority Interest	(83)	(85)	2%	(54)	-36%	(100)	(245)	145%	(105)	-57%	(71)	(72)	1%	(73)	1%	(84)	(73)	-13%	(75)	3%
Corporate Expenses	(53)	(62)	18%	(70)	13%	(50)	(58)	17%	(66)	13%	(53)	(61)	16%	(69)	14%	(65)	(70)	8%	(79)	13%
Pretax Income	(1,873)	(824)	-56%	(1,107)	34%	(1,507)	(456)	-70%	(1,030)	126%	(1,532)	(761)	-50%	(1,014)	33%	(1,408)	146	-110%	(643)	-539%
Income Tax	343	(9)	-103%	67	-844%	233	(172)	-174%	34	-4%	265	(55)	-220%	36	-111%	231	(391)	-354%	(109)	-81%
Income Before Extraordinary Items	(1,530)	(833)	-46%	(1,040)	25%	(1,274)	(628)	-51%	(997)	59%	(1,267)	(816)	-36%	(979)	20%	(1,177)	(245)	-79%	(752)	208%
Extraordinary Items	-	-		-		-	-		(425)		-	(12)		-		-	-		-	
Net Income	(1,530)	(833)	-46%	(1,040)	25%	(1,274)	(628)	-51%	(1,422)	127%	(1,267)	(828)	-35%	(979)	18%	(1,177)	(245)	-79%	(752)	208%
Preferred Dividends	(82)	(18)	-78%	(5)	-74%	(78)	(18)	-77%	(5)	-74%	(76)	(9)	-88%	(3)	-68%	(304)	(7)	-98%	(3)	-58%
Income for Common	($1,612)	($851)	-47%	($1,044)	23%	($1,352)	($646)	-52%	($1,426)	121%	($1,343)	($837)	-38%	($982)	17%	($1,481)	($252)	-83%	($755)	200%
Income to Common Before Extra Items	(1,612)	(851)	-47%	(1,044)	23%	(1,352)	(646)	-52%	(1,001)	55%	(1,343)	(825)	-39%	(982)	19%	(1,481)	(252)	-83%	(755)	200%
EPS - Reported	**($0.40)**	**($0.18)**	**-55%**	**($0.22)**	**22%**	**($0.30)**	**($0.13)**	**-56%**	**($0.21)**	**58%**	**($0.28)**	**($0.17)**	**-41%**	**($0.20)**	**18%**	**($0.32)**	**($0.05)**	**-84%**	**($0.16)**	**200%**
EPS - Excluding Non-Recurring Items	**($0.37)**	**($0.28)**	**-32%**	**($0.22)**	**-16%**	**($0.29)**	**($0.23)**	**-21%**	**($0.21)**	**-8%**	**($0.30)**	**($0.23)**	**-22%**	**($0.20)**	**-12%**	**($0.25)**	**($0.19)**	**-24%**	**($0.16)**	**-17%**
Shares Outstanding	4,067	4,777		4,798		4,527	4,793		4,803		4,801	4,777		4,810		4,647	4,813		4,810	
Effective Tax Rate	-18%	1%		-6%		-15%	38%		-3%		-17%	7%		-4%		16%	267%		17%	
EBITDA Margins:																				
Cable Networks	23.3%	24.9%		25.0%		24.1%	24.7%		24.7%		22.7%	24.9%		25.2%		24.7%	25.5%		26.2%	
Publishing	11.0%	11.6%		14.5%		17.2%	18.6%		21.4%		12.3%	13.3%		15.3%		19.2%	19.9%		21.7%	
Music	11.8%	11.3%		10.9%		11.7%	14.0%		14.1%		11.8%	11.5%		11.8%		16.5%	16.7%		17.4%	
Filmed Entertainment	8.7%	23.9%		11.5%		10.9%	13.5%		12.4%		12.4%	12.4%		11.6%		11.0%	9.8%		9.6%	
Broadcasting-The WB Network	-84.4%	-51.9%		-30.4%		-37.7%	-34.9%		-19.6%		-25.0%	-28.6%		-14.4%		16.7%	2.2%		5.4%	
Cable	43.7%	45.1%		48.2%		50.0%	103.6%		46.2%		48.4%	81.7%		46.2%		49.7%	117.6%		47.1%	
AOL	2.7%	11.7%		28.1%		6.0%	22.6%		27.9%		15.9%	24.9%		29.4%		18.6%	25.8%		28.2%	
Total EBITDA	17.3%	22.7%		23.8%		20.7%	33.3%		24.4%		20.5%	28.0%		23.5%		22.5%	33.4%		23.9%	
EBITDA Adjusted for Non-Recurring Items:																				
EBITDA	**1,207**	**1,554**	**29%**	**1,965**	**26%**	**1,548**	**1,875**	**21%**	**2,187**	**17%**	**1,554**	**1,819**	**17%**	**2,187**	**20%**	**1,879**	**2,224**	**18%**	**2,575**	**16%**
EBITDA (Without Synergies)	**1,207**	**1,554**	**29%**	**1,965**	**26%**	**1,548**	**1,875**	**21%**	**2,187**	**17%**	**1,554**	**1,819**	**17%**	**2,187**	**20%**	**1,879**	**2,224**	**18%**	**2,575**	**16%**

Source: Company reports and First Union Securities, Inc., estimates

Note: AOL has a June fiscal year end. However, to ease comparability, earnings are presented on a calendar year end basis. This is consistent with the merged company's planned fiscal year

Table 19: America Online—Yearly Model 1998–2001E

	1998	1999	2000E	2001E	% Change 1999	% Change 2000E	% Change 2001E
Revenues:							
Subscription Services	$2,765	$3,874	$5,050	$6,325	40%	30%	25%
Advertising, Commerce and Other	725	1,368	2,460	3,749	89%	80%	52%
Enterprise Solutions	357	476	519	560	33%	9%	8%
Total Revenues	3,847	5,718	8,029	10,634	49%	40%	32%
Cost of Revenue	2,252	3,055	4,111	5,291	36%	35%	29%
Cost of Revenue as % of Revenue	59%	53%	51%	50%			
Sales & Marketing	670	872	1,123	1,482	30%	29%	32%
Product Development	267	290	339	423	9%	17%	25%
General & Administrative	290	410	528	687	41%	29%	30%
Amortization of Goodwill & Other Intangibles	48	68	72	72	42%	6%	0%
Acquired In-Process R&D	80	-	-	-			
Merger, Restructuring and Contract Termination Charges	50	98	-	-			
Settlement Charges	18	-	-	-			
Income (loss) from Operations	172	925	1,856	2,680	438%	101%	44%
Other Income, Net	40	814	511	244	1935%	-37%	-52%
Corporate Expenses	62	88	111	138	42%	26%	25%
Pretax Income	150	1,651	2,257	2,785	1001%	37%	23%
Provision for Taxes	30	607	881	1,086	1923%	45%	23%
Net Income	$120	$1,044	$1,376	$1,699	770%	32%	23%
EPS - Reported	**$0.04**	**$0.40**	**$0.53**	**$0.63**	**911%**	**31%**	**20%**
EPS - Excluding Non-Recurring Items	**$0.07**	**$0.25**	**$0.46**	**$0.63**	**240%**	**83%**	**36%**
Cash Earnings (EPS+GW)	**$0.10**	**$0.28**	**$0.49**	**$0.66**	**192%**	**76%**	**34%**
Average Diluted Shares	2,258	2,587	2,602	2,680	15%	1%	3%
Effective Tax Rate	20%	37%	39%	39%			
Depreciation	$189	$248	$353	$442	31%	42%	25%
EBITDA	**$488**	**$1,241**	**$2,281**	**$3,193**	**203%**	**84%**	**40%**
EBITDA Adjusted for Non-Recurring Items	**$557**	**$1,384**	**$2,281**	**$3,193**	**145%**	**67%**	**40%**
EBITDA Margin	*14.5%*	*23.9%*	*28.4%*	*30.0%*			
Operating Income Margin	*4.5%*	*16.2%*	*23.1%*	*25.2%*			
Additional Information:							
AOL Subscribers at Period End	15.1	20.5	26.0	31.5	36%	27%	21%
AOL Subscribers Added During the Period	4.4	5.4	5.5	5.5	24%	1%	0%
CompuServe Subscribers at Period End	2.2	2.5	3.1	3.6	14%	24%	16%
CompuServe Subscribers Added During the Period	2.2	0.3	0.6	0.5	-86%	100%	-17%
Customer Solutions/Gateway Subscribers at Period End	0.0	0.7	1.1	1.3	0%	42%	24%
Customer Solutions/Gateway Subscribers Added During the Period	0.0	0.7	0.3	0.3	0%	-58%	-19%
Total Subscribers at Period End	**17.3**	**23.8**	**30.2**	**36.4**	**37%**	**27%**	**21%**
Total Subscribers Added During the Period	6.6	6.5	6.4	6.3	-2%	-1%	-2%
Average Subscribers	14.5	20.0	26.9	33.3	38%	34%	24%
U.S. Subscribers at Period End	14.5	19.8	24.9	29.9	37%	26%	20%
Average U.S. Subscribers	12.4	16.9	22.2	27.4	37%	31%	23%
International Subscribers at Period End	2.8	4.0	5.3	6.6	42%	34%	24%
Average International Subscribers	2.3	4.0	5.3	5.9	75%	34%	12%
Monthly Subscription Revenue/Average U.S. Subscriber	$18.65	$19.12	$18.95	$19.27	3%	-1%	2%
Monthly Advertising Revenue/Average Total Subscriber	$4.17	$5.70	$7.62	$9.39	37%	34%	23%

Source: Company reports and First Union Securities, Inc., estimates

Note: AOL has a June fiscal year end. However, to ease comparability, earnings are presented on a calendar year end basis. This consistent with the merged company's planned fiscal year. In contrast to the company's definition, our EBITDA calculation does not include "Other Income."

Table 20: America Online—Quarterly Model 1998–2000E

	March Quarter					June Quarter					September Quarter					December Quarter				
	1Q:98	1Q:99	% Chg.	1Q:00	% Chg.	2Q:98	2Q:99	% Chg.	2Q:00E	% Chg.	3Q:98	3Q:99	% Chg.	3Q:00E	% Chg.	4Q:98	4Q:99	% Chg.	4Q:00E	% Chg.
Revenues:																				
Subscription Services	$580	$869	50%	$1,153	33%	$676	$943	39%	$1,232	31%	$723	$995	38%	$1,306	31%	$786	$1,067	36%	$1,360	27%
Advertising, Commerce and Other	142	275	94%	557	103%	164	306	87%	583	91%	175	350	100%	605	73%	244	437	79%	715	64%
Enterprise Solutions	35	109	211%	126	16%	103	128	24%	134	5%	101	122	21%	132	8%	118	117	-1%	126	8%
Total Revenues	757	1,253	66%	1,836	47%	943	1,377	46%	1,949	42%	999	1,467	47%	2,042	39%	1,148	1,621	41%	2,201	36%
Cost of Revenue	488	693	42%	937	35%	541	741	37%	1,002	35%	583	791	36%	1,050	33%	640	830	30%	1,123	35%
Cost of Revenue as % of Revenue	*64%*	*55%*		*51%*		*57%*	*54%*		*51%*		*58%*	*54%*		*51%*		*56%*	*51%*		*51%*	
Sales & Marketing	138	218	58%	266	22%	156	214	37%	284.62	33%	174	209	20%	272	30%	202	231	14%	300	30%
Product Development	65	80	23%	76	5%	65	69	6%	86.25	25%	67	67	0%	83.75	25%	70	74	6%	92.50	25%
General & Administrative	67	98	45%	129	32%	79	93	17%	121	30%	67	96	43%	125	30%	76	123	62%	154	25%
Amortization of Goodwill & Other Intangibles	7	17	143%	18	6%	9	16	78%	18	13%	16	18	13%	18	0%	16	17	6%	18	6%
Acquired In-Process R&D	10	-				70			-		-	-		-		-	-			
Merger, Restructuring and Contract Termination Charges	48	78		-		-	15		-		-	-		-		2	5		-	
Settlement Charges	-	-		-		18	-				-	-		-		-				
Income (loss) from Operations	(66)	69	-204%	410	494%	5	229	4791%	438	91%	92	286	212%	494	73%	142	341	140%	514	51%
Other Income, Net	4	587	0%	336	0%	15	30	0%	50	0%	5	37	0%	58	0%	16	160	0%	67	0%
Corporate Expenses	16	22	42%	27	23%	13	18	42%	23	25%	15	21	42%	27	30%	19	27	42%	34	25%
Pretax Income	(78)	634	-913%	719	13%	7	241	3343%	465	93%	82	302	268%	525	74%	139	474	241%	548	16%
Provision for Taxes	-	223		281		-	81	0%	181	0%	6	118	0%	205	0%	24	185	0%	214	0%
Net Income	($78)	$411	-627%	$438	7%	$7	$160	2186%	$284	77%	$76	$184	142%	$320	74%	$115	$289	151%	$334	16%
EPS - Reported	**($0.04)**	**$0.16**	**-462%**	**$0.17**	**6%**	**$0.00**	**$0.06**	**1801%**	**$0.11**	**77%**	**$0.03**	**$0.07**	**133%**	**$0.12**	**72%**	**$0.05**	**$0.11**	**135%**	**$0.13**	**16%**
EPS - Excluding Non-Recurring Items	**($0.01)**	**$0.04**	**-727%**	**$0.16**	**300%**	**$0.02**	**$0.06**	**[illegible]**	**$0.11**	**83%**	**$0.03**	**$0.07**	**233%**	**$0.12**	**72%**	**$0.04**	**$0.09**	**131%**	**$0.13**	**50%**
Average Diluted Shares	1,864	2,574		2,595		2,324	2,590		2,600		2,398	2,574		2,607		2,444	2,610		2,607	
Effective Tax Rate	0%	35%		39%		0%	34%		39%		7%	39%		39%		17%	39%		39%	
Depreciation	$39	$60	54%	$87	45%	$43	$66	53%	$87.87	33%	$51	$61	20%	$89	45%	$56	$61	9%	$89.64	47%
EBITDA	**($20)**	**$146**	**-812%**	**$515**	**253%**	**$57**	**$311**	**446%**	**$643**	**70%**	**$139**	**$365**	**130%**	**$601**	**65%**	**$214**	**$419**	**96%**	**$622**	**48%**
EBITDA Adjusted for Non-Recurring Items	**$38**	**$249**	**554%**	**$515**	**107%**	**$146**	**$329**	**125%**	**$643**	**95%**	**$139**	**$365**	**163%**	**$601**	**65%**	**$216**	**$424**	**96%**	**$622**	**47%**
EBITDA Margin	*5.0%*	*19.9%*		*28.1%*		*15.3%*	*23.7%*		*27.9%*		*15.9%*	*24.9%*		*29.4%*		*18.8%*	*26.2%*		*28.2%*	
Operating Income Margin	*-8.8%*	*5.5%*		*22.3%*		*0.5%*	*16.6%*		*22.4%*		*9.2%*	*19.5%*		*24.2%*		*12.4%*	*21.0%*		*23.4%*	
Additional Information:																				
AOL Subscribers at Period End	11.9	16.9	42%	22.2	31%	12.5	17.6	41%	23.1	31%	13.5	18.7	39%	24.2	29%	15.1	20.5	36%	26.0	27%
AOL Subscribers Added During the Period	1.1	1.8	57%	1.7	-7%	0.6	0.7	14%	0.9	29%	1.0	1.1	10%	1.1	0%	1.6	1.8	14%	1.8	-1%
CompuServe Subscribers at Period End	2.1	2.1	1%	2.7	29%	2.0	2.0	0%	2.8	40%	2.0	2.2	10%	2.9	32%	2.2	2.5	14%	3.1	24%
CompuServe Subscribers Added During the Period	2.1	(0.1)	-105%	0.2	-300%	(0.1)	(0.1)	25%	0.1	-200%	0.0	0.2	#DIV/0!	0.1	-50%	0.2	0.3	50%	0.2	-33%
Customer Solutions/Gateway Subscribers at Period End	0.0	0.0	0%	0.9	0%	0.0	0.0	0%	0.9	0%	0.0	0.0	0%	1.0	0%	0.0	0.7	0%	1.1	42%
Customer Solutions/Gateway Subscribers Added During the Period	0.0	0.0	0%	0.1	0%	0.0	0.0	0%	0.1	0%	0.0	0.0	0%	0.1	0%	0.0	0.7	0%	0.1	-86%
Total Subscribers at Period End	**14.0**	**19.0**	**36%**	**25.8**	**36%**	**14.5**	**19.6**	**35%**	**26.8**	**37%**	**15.5**	**20.9**	**35%**	**28.1**	**34%**	**17.3**	**23.8**	**37%**	**30.2**	**27%**
Total Subscribers Added During the Period	3.2	1.7	-47%	2.0	17%	0.5	0.6	13%	1.1	75%	1.0	1.3	30%	1.3	-4%	1.8	2.9	59%	2.1	-27%
Average Subscribers	12.4	18.2	47%	24.8	36%	14.2	19.3	36%	26.3	36%	15.0	20.3	35%	27.4	35%	16.4	22.3	36%	29.1	30%
U.S. Subscribers at Period End	11.8	16.0	36%	21.4	33%	12.2	16.6	37%	22.1	33%	12.9	17.8	38%	23.1	29%	14.5	19.8	37%	24.9	26%
Average U.S. Subscribers	11.2	15.3	36%	20.6	35%	12.0	16.3	36%	21.7	33%	12.5	17.2	37%	22.6	31%	13.7	18.8	37%	24.0	27%
International Subscribers at Period End	2.2	3.0	36%	4.4	47%	2.3	3.0	28%	4.7	57%	2.6	3.1	19%	5.0	61%	2.8	4.0	42%	5.3	34%
Average International Subscribers	1.6	2.9	81%	4.2	44%	2.3	3.0	32%	4.6	52%	2.5	3.1	23%	4.9	59%	2.7	3.5	31%	5.2	46%
Monthly Subscription Revenue/Average U.S. Subscriber	$17.21	$18.99	10%	$18.68	2%	$18.83	$19.28	2%	$18.90	-2%	$19.23	$19.28	0%	$19.28	0%	$19.12	$18.92	-1%	$18.92	0%
Monthly Advertising Revenue/Average Total Subscriber	$3.83	$5.05	32%	$7.50	49%	$3.84	$5.28	38%	$7.40	40%	$3.89	$5.76	48%	$7.35	28%	$4.96	$6.52	32%	$8.20	26%

Source: Company reports and First Union Securities, Inc., estimates

Note: AOL has a June fiscal year end. However, to ease comparability, earnings are presented on a calendar year end basis. This is consistent with the merged company's planned fiscal year. In contrast to the company's definition, our EBITDA calculation does not include "Other Income."

Table 21: Time Warner—Yearly Model 1998–2001E

	1998	1999	2000E	2001E	%Change 1998	%Change 1999	%Change 2000E	%Change 2001E
CONSOLIDATED								
Revenues:								
Cable Networks	$5,377	$6,111	$7,040	$8,096	11.5%	13.7%	15.2%	15.0%
Publishing	4,496	4,663	4,608	4,884	4.8%	3.7%	-1.2%	6.0%
Music	4,025	3,834	3,886	4,080	9.0%	-4.7%	1.4%	5.0%
Filmed Entertainment	7,978	8,075	8,682	9,274	13.9%	1.2%	7.5%	6.8%
WB Network	260	384	453	485	91.2%	47.7%	18.1%	7.0%
Cable	5,342	5,374	6,045	6,853	1.9%	0.6%	12.5%	13.4%
Time Warner Digital Media	-	-	-	-				
Intersegment Elimination	(1,234)	(1,109)	(1,329)	(1,456)	120.0%	-10.1%	19.9%	9.6%
Total Revenues	26,244	27,333	29,384	32,217	6.6%	4.1%	7.5%	9.6%
EBITA:								
Cable Networks	1160	1397	1,639	1,936	20.3%	20.4%	17.3%	18.2%
Publishing	607	679	775	868	14.7%	11.9%	14.1%	12.0%
Music	464	449	456	493	-0.6%	-3.2%	1.6%	8.0%
Filmed Entertainment	695	997	829	902	15.1%	43.5%	-16.8%	8.7%
WB Network	(93)	(92)	(58)	(26)	5.7%	-1.1%	-37.2%	-54.2%
Cable	1694	3927	1,919	2,138	5.2%	131.8%	-51.1%	11.4%
Time Warner Digital Media	0	(17)	(200)	(225)				
Intersegment Elimination	(94)	(10)	(68)	(105)	74.1%	-89.4%	580.0%	54.4%
Total EBITA	4,433	7,330	5,292	5,980	9.9%	65.4%	-27.8%	13.0%
Amortization	(1,311)	(1,279)	(1,320)	(1,320)	-2.3%	-2.4%	3.2%	0.0%
Operating Income	3,122	6,051	3,972	4,660	16.0%	93.8%	-34.4%	17.3%
Interest & Other, Net	(2,112)	(1,913)	(2,497)	(2,120)	50.7%	-9.4%	30.5%	-15.1%
Minority Interest	(266)	(475)	(307)	(353)	-12.8%	78.6%	-35.4%	15.0%
Corporate Expenses	(158)	(163)	(173)	(187)	3.3%	3.2%	6.3%	8.0%
Pretax Income	586	3,500	995	2,000	-29.6%	497.3%	-71.6%	101.1%
Income Tax	(418)	(1,540)	(612)	(1,017)	-21.2%	268.2%	-60.2%	66.1%
Income Bef Extraordinary Items	168	1,960	383	983	-44.3%	1068.2%	-80.5%	157.0%
Extraordinary Items	-	(12)	(425)	0				
Net Income	168	1,948	(42)	983	-31.8%	1061.1%	-102.2%	-2417.7%
Preferred Dividends	(540)	(52)	(15)	0	69.3%	-90.4%	-71.2%	-100.0%
Income for Common	($372)	$1,896	($57)	$983	409.9%	-609.5%	-103.0%	-1812.3%
Income to Common before Extra. Items	(372)	1,908	368	983	1967.8%	-612.7%	-80.7%	167.5%
EPS - Reported	**($0.31)**	**$1.50**	**$0.28**	**$0.74**	-	**-582.7%**	**-81.3%**	**164.7%**
EPS - Excluding Non-Recurring Items	**($0.06)**	**$0.39**	**$0.40**	**$0.74**		**-706.2%**	**3.5%**	**83.5%**
Cash Earnings (EPS+GW)	**$0.39**	**$0.82**	**$0.82**	**$1.15**		**109.6%**	**0.0%**	**40.3%**
Average Common Shares	1,195	1,267	1,307	1,328	5.2%	6.1%	3.2%	1.6%
Fully Diluted Shares	1,378	1,395	1,386	1,384				
Effective Tax Rate	71%	44%	62%	51%				
EBITDA Breakdown:								
Cable Networks	1,276	1,529	1,780	2,088	18.9%	19.8%	16.4%	17.3%
Publishing	687	760	858	954	13.0%	10.6%	12.9%	11.1%
Music	536	523	539	581	-2.5%	-2.4%	3.1%	7.7%
Filmed Entertainment	867	1,153	972	1,054	7.3%	33.0%	-15.7%	8.5%
WB Network	(92)	(91)	(58)	(26)	5.7%	-1.1%	-36.5%	-54.2%
Cable	2,558	4,713	2,837	3,143	3.4%	84.2%	-39.8%	10.8%
Time Warner Digital Media	-	(16)	(199)	(225)				
Intersegment Elimination	(94)	(10)	(68)	(105)	74.1%	-89.4%	580.0%	54.4%
Total EBITDA	$5,738	$8,561	$6,661	$7,464	6.8%	49.2%	-22.2%	12.0%
Adjusted for Non-Recurring Items:								
EBITA (after Digital Media losses)	**4,258**	**4,877**	**5,264**	**5,980**		**14.5%**	**7.9%**	**13.6%**
EBITDA (after Digital Media losses)	**5,468**	**6,108**	**6,633**	**7,464**		**11.7%**	**8.6%**	**12.5%**

Source: Company reports and First Union Securities, Inc. estimates

Table 22: Time Warner—Quarterly Model 1998–2000E

	Q1:98	Q1:99	% Chg.	Q1:00	% Chg.	Q2:98	Q2:99	% Chg.	Q2:00E	% Chg.	Q3:98	Q3:99	% Chg.	Q3:00E	% Chg.	Q4:98	Q4:99	% Chg.	Q4:00E	% Chg.
CONSOLIDATED																				
Revenues:																				
Cable Networks	$1,240	$1,364	10%	$1,586	16%	$1,415	$1,611	14%	$1,852	15%	$1,330	$1,450	9%	$1,662	15%	$1,392	$1,686	21%	$1,939	15%
Publishing	948	974	3%	939	-4%	1,136	1,153	1%	1,143	-1%	1,076	1,110	3%	1,107	0%	1,336	1,426	7%	1,419	-1%
Music	888	936	5%	917	-2%	905	828	-9%	820	-1%	938	852	-9%	895	5%	1,294	1,218	-6%	1,255	3%
Filmed Entertainment	1,684	1,697	1%	1,880	11%	1,834	1,783	-3%	1,901	7%	2,272	2,208	-3%	2,356	7%	2,188	2,387	9%	2,545	7%
WB Network	45	79	76%	102	29%	61	83	36%	101	22%	64	84	31%	102	22%	90	138	53%	148	7%
Cable	1,401	1,296	-7%	1,447	12%	1,326	1,330	0%	1,489	12%	1,288	1,342	4%	1,532	14%	1,327	1,406	6%	1,577	12%
Time Warner Digital Media	-		0%	-	0%		-	0%	-	0%	-	-	0%		0%			0%		0%
Intersegment Elimination	(258)	(255)	-1%	(324)	27%	(241)	(257)	7%	(302)	17%	(375)	(323)	-14%	(381)	18%	(360)	(274)	-24%	(323)	18%
Total Revenues	5,948	6,091	2%	6,547	7%	6,436	6,531	1%	7,004	7%	6,593	6,723	2%	7,274	8%	7,267	7,988	10%	8,560	7%
EBITA:																				
Cable Networks	262	309	18%	364	18%	311	366	18%	423	16%	271	328	21%	383	17%	316	394	25%	469	19%
Publishing	85	94	11%	117	24%	176	196	11%	225	15%	112	129	15%	150	16%	234	260	11%	283	9%
Music	86	89	3%	80	-10%	87	98	13%	96	-2%	95	79	-17%	85	7%	196	183	-7%	196	7%
Filmed Entertainment	104	375	261%	194	-48%	160	203	27%	200	-1%	233	228	-2%	230	1%	198	191	-4%	205	8%
WB Network	(38)	(41)	8%	(31)	24%	(23)	(30)	30%	(20)	-34%	(17)	(24)	41%	(15)	-39%	(15)	3	-120%	8	161%
Cable	381	403	6%	485	20%	448	1180	163%	465	-61%	417	894	114%	473	47%	448	1450	224%	496	66%
Time Warner Digital Media	0	0	0%	(30)	0%	0	0	0%	(60)	0%	0	0	0%	(55)	0%	0	(17)	0%	(55)	0%
Intersegment Elimination	(35)	12	-134%	(8)	-167%	(8)	1	-113%	(20)	-2100%	(33)	(23)	-30%	(20)	-13%	(18)		-100%	(20)	#DIV/0!
Total EBITA	845	1,241	47%	1,171	-6%	1,151	2,014	75%	1,310	-35%	1,078	1,611	49%	1,231	-24%	1,359	2,464	81%	1,581	-36%
Amortization	(329)	(306)	-7%	(330)	8%	(327)	(311)	-5%	(330)	6%	(330)	(316)	-4%	(330)	10%	(325)	(346)	16%	(330)	-5%
Operating Income	516	935	81%	841	10%	824	1,703	107%	980	-42%	748	1,295	73%	901	-30%	1,034	2,118	105%	1,251	-41%
Interest & Other, Net	(421)	(506)	20%	(808)	60%	(439)	(354)	-19%	(565)	60%	(491)	(485)	-1%	(564)	16%	(689)	(568)	-18%	(560)	-1%
Minority Interest	(83)	(85)	2%	(54)	-36%	(100)	(245)	145%	(105)	-57%	(71)	(72)	1%	(73)	1%	(84)	(73)	-13%	(75)	3%
Corporate Expenses	(37)	(40)	8%	(43)	8%	(37)	(40)	8%	(43)	8%	(38)	(40)	5%	(42)	5%	(46)	(43)	7%	(45)	5%
Pretax Income	(25)	304	-1316%	(64)	-121%	248	1,064	329%	266	-75%	148	698	372%	222	-68%	215	1,434	567%	571	-60%
Income Tax	(37)	(166)	349%	(32)	-81%	(147)	(471)	220%	(165)	-65%	(109)	(317)	190%	(140)	-56%	(125)	(586)	369%	(276)	53%
Income Bef Extraordinary Items	(62)	138	323%	(96)	-170%	101	593	487%	101	-83%	39	381	883%	82	-78%	90	848	842%	295	-65%
Extraordinary Items	-	-	0%	-	0%	-	-	0%	(425)	0%	-	(12)	0%		0%	-	-	0%	-	0%
Net Income	(62)	138	-323%	(96)	-170%	101	593	487%	(324)	-155%	39	369	852%	82	-78%	90	848	842%	295	-65%
Preferred Dividends	(82)	(18)	-78%	(5)	-74%	(78)	(18)	-77%	(5)	-74%	(76)	(9)	-88%	(3)	-68%	(304)	(7)	-98%	(3)	-58%
Income for Common	($144)	$120	-183%	($101)	-184%	$23	$575	2400%	($328)	-157%	($37)	$360	-1069%	$79	-78%	($214)	$841	-493%	$292	-65%
Income to Common before Extra. Items	(144)	120	-183%	(101)	-184%	23	575	2400%	97	-83%	(37)	372	-1101%	79	-79%	(214)	841	-493%	292	65%
EPS - Reported	($0.13)	$0.10	-178%	($0.08)	-180%	$0.02	$0.48	2247%	[illegible]	[illegible]	[illegible]	$0.25	-1034%	$0.06	-78%	($0.17)	$0.65	-475%	$0.22	-66%
EPS - Excluding Non-Recurring Items	($0.13)	($0.06)	-49%	$0.05	-2361%	($0.01)	$0.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-129%	$0.06	-31%	$0.11	$0.30	81%	$0.22	11%
Average Common Shares	1,157	1,243	7%	1,302	5%	1,193	1,249	5%	1,307	5%	1,203	1,289	7%	1,307	1%	1,227	1,287	5%	1,314	2%
Fully Diluted Shares	1,384	1,386	0%	1,389	0%	1,372	1,404	2%	1,387	-1%	1,376	1,398	2%	1,385	-1%	1,379	1,392	1%	1,383	-1%
Effective Tax Rate	-148%	55%	0%	-50%	0%	59%	44%	0%	62%	0%	74%	45%	0%	63%	0%	58%	41%	0%	48%	0%
EBITDA Breakdown:																				
Cable Networks	289	340	18%	397	17%	341	398	17%	458	15%	302	361	20%	418	16%	344	430	25%	507	18%
Publishing	104	113	9%	136	20%	195	215	10%	245	14%	132	148	12%	170	15%	256	284	11%	307	8%
Music	105	106	1%	100	-6%	106	116	9%	116	0%	111	98	-12%	105	8%	214	203	-5%	218	7%
Filmed Entertainment	146	405	177%	216	-47%	199	241	21%	236	-2%	282	274	-3%	274	0%	240	233	-3%	245	5%
WB Network	(38)	(41)	8%	(31)	-24%	(23)	(29)	26%	(20)	-31%	(16)	(24)	50%	(15)	-39%	(15)	3	-120%	8	161%
Cable	612	585	-4%	698	19%	663	1378	108%	689	-50%	623	1097	76%	708	-35%	660	1653	150%	742	-55%
Time Warner Digital Media	-	-		(29)		-	-		(60)		-	-		(55)		-	(16)		(55)	
Intersegment Elimination	(35)	12	-134%	(8)	-167%	(8)	1	-113%	(20)	-2100%	(33)	(23)	-30%	(20)	-13%	(18)	0	-100%	(20)	#DIV/0!
Total EBITDA	1,183	1,520	28%	1,479	-3%	1,473	2,320	58%	1,644	-29%	1,401	1,931	38%	1,586	-18%	1,681	2,790	66%	1,953	-30%
Adjusted for Non-Recurring Items:																				
EBITA (after Digital Media losses)	831	1,026	23%	1,143	11%	1,061	1,243	15%	1,310	5%	1,072	1,134	6%	1,231	9%	1,341	1,474	10%	1,581	7%
EBITDA (after Digital Media losses)	1,169	1,305	12%	1,451	11%	1,403	1,540	10%	1,644	6%	1,395	1,454	4%	1,586	9%	1,663	1,800	8%	1,953	9%

Source: Company reports and First Union Securities, Inc., estimates.

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