Three Months Ended March 31, 2005

	Subscription	Advertising	Content (millions)	Other	Total
Revenues					
AOL	$ 1,774	$ 311	$ —	$ 48	$ 2,133
Cable	2,127	119	—	—	2,246
Filmed Entertainment	—	3	2,951	60	3,014
Networks	1,342	682	253	8	2,285
Publishing	381	571	128	160	1,240
Intersegment elimination	(132)	(39)	(249)	(15)	(435)
Total revenues	$ 5,492	$ 1,647	$ 3,083	$ 261	$10,483

Three Months Ended March 31, 2004

	Subscription	Advertising	Content (millions)	Other	Total
Revenues					
AOL	$ 1,919	$ 214	$ —	$ 58	$ 2,191
Cable	1,934	109	—	—	2,043
Filmed Entertainment	—	3	2,919	65	2,987
Networks	1,234	634	284	43	2,195
Publishing	354	521	109	163	1,147
Intersegment elimination	(127)	(34)	(195)	(22)	(378)
Total revenues	$ 5,314	$ 1,447	$ 3,117	$ 307	$10,185

Intersegment Revenues

In the normal course of business, the Time Warner segments enter into transactions with one another. The most common types of intersegment transactions include:

- The Filmed Entertainment segment generating Content revenue by licensing television and theatrical programming to the Networks segment;
- The Networks segment generating Subscription revenue by selling cable network programming to the Cable segment;
- The AOL, Cable, Networks and Publishing segments generating Advertising revenue by cross-promoting the products and services of all Time Warner segments; and
- The AOL segment generating Other revenue by providing the Cable segment's customers access to the AOL Transit Data Network (ATDN) for high-speed access to the Internet.

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These intersegment transactions are recorded by each segment at estimated fair value as if the transactions were with third parties and, therefore, impact segment performance. While intersegment transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses or assets recognized by the segment that is counterparty to the transaction) are eliminated in consolidation and, therefore, do not themselves impact consolidated results. Additionally, transactions between divisions within the same reporting segment (e.g., a transaction between HBO and Turner) are eliminated in arriving at segment performance and, therefore, do not themselves impact segment results. Revenues recognized by Time Warner's segments on intersegment transactions are as follows:

	Three Months Ended March 31,	
	2005	2004
	(millions)	
Intersegment Revenues [(a)]		
AOL	$ 6	$ 15
Cable	10	14
Filmed Entertainment	242	188
Networks	158	143
Publishing	19	18
Total intersegment revenues	$ 435	$ 378

(a) Intersegment revenues include intercompany Advertising revenues of $39 million and $34 million for the three months ended March 31, 2005 and 2004, respectively.

	Three Months Ended March 31,	
	2005	2004
	(millions)	
Operating Income before Depreciation and Amortization		
AOL [(a)]	$ 518	$ 489
Cable	822	750
Filmed Entertainment	410	412
Networks [(b)]	787	735
Publishing [(c)]	175	170
Corporate [(d)]	(102)	(164)
Intersegment elimination	(29)	13
Total Operating Income before Depreciation and Amortization	$ 2,581	$ 2,405

(a) In the first quarter of 2005, Operating Income before Depreciation and Amortization includes a $24 million noncash goodwill impairment charge related to AOLA and a $2 million gain from the resolution of a contingent gain related to the 2004 sale of Netscape Security Solutions.

(b) In the first quarter of 2004, Operating Income before Depreciation and Amortization includes an approximate $7 million loss related to the sale of the winter sports teams.

(c) In the first quarter of 2005, Operating Income before Depreciation and Amortization includes an $8 million gain related to the collection of a loan made in conjunction with the Company's 2003 sale of Time Life Inc, which was previously fully reserved due to concerns about recoverability. In the first quarter of 2004, Operating Income before Depreciation and Amortization includes an $8 million gain from the sale of a building.

(d) In the first quarter of 2004, Operating Income before Depreciation and Amortization includes $53 million of costs associated with the relocation from the Company's former Corporate headquarters, of which approximately $3 million of this charge was reversed in the first quarter of 2005, as it was no longer required due to changes in estimates.

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(millions)	
Depreciation of Property, Plant and Equipment		
AOL	$ (147)	$ (170)
Cable	(376)	(346)
Filmed Entertainment	(30)	(24)
Networks	(55)	(49)
Publishing	(35)	(30)
Corporate	(9)	(16)
Total depreciation of property, plant and equipment	$ (652)	$ (635)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(millions)	
Amortization of Intangible Assets		
AOL	$ (47)	$ (42)
Cable	(20)	(18)
Filmed Entertainment	(52)	(53)
Networks	(4)	(3)
Publishing	(27)	(38)
Total amortization of intangible assets	$ (150)	$ (154)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(millions)	
Operating Income		
AOL	$ 324	$ 277
Cable	426	386
Filmed Entertainment	328	335
Networks	728	683
Publishing	113	102
Corporate	(111)	(180)
Intersegment elimination	(29)	13
Total operating income	$ 1,779	$ 1,616

	March 31, 2005	December 31, 2004
	(millions)	
Assets		
AOL	$ 7,067	$ 7,175
Cable	43,005	43,165
Filmed Entertainment	17,040	18,105
Networks	33,389	33,042
Publishing	13,829	14,012
Corporate	8,826	7,840
Total assets	$123,156	$ 123,339

8. BENEFIT PLANS

Time Warner and certain of its subsidiaries have both funded and unfunded noncontributory defined benefit pension plans covering a majority of domestic employees and, to a lesser extent, have various defined benefit plans covering international employees. Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period and participation in the plans. Time Warner uses a December 31 measurement date for the majority of its plans. The components of the net periodic benefit costs recognized for the three months ended March 31, 2005 and 2004 are as follows:

	Domestic March 31,		International March 31,	
	2005	2004	2005	2004
	(millions)			
Service cost	$ 32	$ 28	$ 5	$ 5
Interest cost	42	38	9	8
Expected return on plan assets	(49)	(43)	(10)	(9)
Amounts amortized	13	12	2	2
Net periodic benefit costs	$ 38	$ 35	$ 6	$ 6
Contributions	$ 5	$ 5	$ 4	$ 5

After considering the funded status of the Company's defined benefit plans, movements in benchmark interest rates, investment performance and related tax consequences, the Company may choose to make contributions to its defined benefit pension plans. Currently, there are no minimum required contributions for domestic funded plans and no discretionary or noncash contributions are planned. For domestic unfunded plans, contributions will continue to be made to the extent benefits are paid and are included in the table above. Expected benefit payments for domestic unfunded plans for 2005 is approximately $16 million.

9. MERGER AND RESTRUCTURING COSTS

Merger Costs

In connection with the merger of America Online and Historic TW ("America Online-Historic TW Merger"), the Company reviewed its operations and implemented several plans to restructure the operations of both companies ("restructuring plans"). As part of the restructuring plans, the Company accrued a restructuring liability of approximately $1.031 billion during 2001. These restructuring accruals relate to costs to exit and consolidate certain activities of Historic TW, as well as costs to terminate employees across various Historic TW business units.

As of March 31, 2005, out of the remaining liability of $35 million, $10 million was classified as a current liability, with the remaining $25 million classified as a long-term liability in the accompanying consolidated balance sheet. Amounts are expected to be paid through 2012.

Selected information relating to the restructuring costs included in the allocation of the cost to acquire Historic TW is as follows (millions):

	Employee Termination	Other Exit Costs	Total
Initial accruals	$ 619	$ 412	$ 1,031
Restructuring liability as of December 31, 2003	$ 28	$ 36	$ 64
Cash paid — 2004 [(a)]	(14)	(7)	(21)
Noncash reductions— 2004 [(b)]	(2)	(3)	(5)
Restructuring liability as of December 31, 2004	12	26	38
Cash paid — 2005	(2)	(1)	(3)
Restructuring liability as of March 31, 2005	$ 10	$ 25	$ 35

(a) Of the $21 million paid in 2004, $8 million was paid in the first quarter.

(b) Noncash reductions represent adjustments to the restructuring accrual, with a corresponding reduction in goodwill, as actual costs related to employee terminations and other exit costs were less than originally estimated. Of the $5 million in noncash reductions in 2004, no reductions were made during the first quarter.

Restructuring Costs

In addition to the costs of activities related to the America Online – Historic TW Merger, the Company has also recognized restructuring costs that are unrelated to business combinations and are expensed as incurred.

2005 Restructuring Costs

For the three months ended March 31, 2005, the Company incurred restructuring costs of $17 million associated with the early retirement of certain senior executives at the Cable segment. These charges are part of TWC Inc.'s plans to simplify its organization and enhance its customer focus. TWC Inc. is in the initial stages of executing this reorganization and expects to incur additional costs associated with this reorganization as it is implemented throughout 2005. As of March 31, 2005, payments of less than $1 million have been made against this accrual.

As of March 31, 2005, out of the remaining liability of $17 million, $8 million was classified as a current liability, with the remaining liability of $9 million classified as a long-term liability in the accompanying consolidated balance sheet. Amounts are expected to be paid through 2011.

2004 Restructuring Costs

For the year ended December 31, 2004, the Company incurred restructuring costs of $55 million related to employee terminations at the AOL segment. The number of employees terminated was 861 (770 domestic and 91 internationally). During the first quarter of 2005, the Company incurred additional restructuring costs of $3 million related to the AOL segment as a result of changes in estimates of previously established restructuring accruals.

As of March 31, 2005, a majority of the remaining liability of $13 million was classified as a current liability in the accompanying consolidated balance sheet.

Selected information relating to the 2004 restructuring costs is as follows (millions):

	Employee Terminations
2004 accruals	$ 55
Cash paid — 2004 [a]	(5)
Remaining liability as of December 31, 2004	50
Additional Accrual	3
Cash paid — 2005	(40)
Remaining liability as of March 31, 2005	$ 13

(a) Of the $5 million paid in 2004, no payments were made in the first quarter.

2003 Restructuring Costs

For the year ended December 31, 2003, the Company incurred restructuring costs related to various employee and contractual terminations of $109 million, including $52 million at the AOL segment, $21 million at the Networks segment, $21 million at the Publishing segment and $15 million at the Cable segment. Employee termination costs occurred across each of the segments and ranged from senior executives to line personnel. The number of employees expected to be terminated was 974. All of the terminations had occurred by the end of the first quarter of 2004.

As of March 31, 2005, out of the remaining liability of $19 million, $6 million was classified as a current liability, with the remaining liability of $13 million classified as a long-term liability in the accompanying consolidated balance sheet. Amounts are expected to be paid through 2010.

Selected information relating to the 2003 restructuring costs is as follows (millions):

	Employee Terminations	Other Exit Costs	Total
2003 accruals	$ 64	$ 45	$ 109
Cash paid — 2003	(17)	(1)	(18)
Remaining liability as of December 31, 2003	47	44	91
Cash paid — 2004 [a]	(42)	(4)	(46)
Noncash reductions — 2004 [b]	(2)	(3)	(5)
Remaining liability as of December 31, 2004	3	37	40
Cash paid — 2005	(1)	(12)	(13)
Net noncash reductions — 2005 [b]	—	(8)	(8)
Remaining liability as of March 31, 2005	$ 2	$ 17	$ 19

(a) Of the $46 million paid in 2004, $40 million was paid in the first quarter.

(b) Net noncash reductions reflect changes in estimates of previously established restructuring accruals.

2002 Restructuring Costs

During the year ended December 31, 2002, the Company incurred and accrued other restructuring costs of $327 million related to various contractual terminations and obligations, including certain contractual employee termination benefits. Of the $327 million of restructuring costs, $266 million related to the AOL segment, $46 million to the Corporate segment and $15 million to the Cable segment.

As of March 31, 2005, out of the remaining liability of $21 million, $6 million was classified as a current liability, with the remaining liability of $15 million classified as a long-term liability in the accompanying consolidated balance sheet. Amounts are expected to be paid through 2010.

Selected information relating to the 2002 restructuring costs is as follows (millions):

	Employee Terminations	Other Exit Costs	Total
Initial accruals	$ 92	$ 235	$ 327
Remaining liability as of December 31, 2003	$ 52	$ 10	$ 62
Cash paid — 2004 [a]	(17)	(6)	(23)
Noncash reductions — 2004 [b]	(12)	—	(12)
Remaining liability as of December 31, 2004	23	4	27
Cash paid — 2005	(5)	(1)	(6)
Remaining liability as of March 31, 2005	$ 18	$ 3	$ 21

(a) Of the $23 million paid in 2004, $13 million was paid in the first quarter.

(b) During the second quarter of 2004, a $12 million severance accrual, initially established in 2002, was reversed in connection with the settlement of that accrual with the issuance of options to purchase stock of the Company. The obligation related to the option issuance was valued at $10 million and was reflected in shareholders' equity.

Other Charges

In connection with relocating its Corporate headquarters, the Company recorded certain exit costs at the date various floors of the former headquarters facility were no longer being occupied by employees of the Company. During the first six months of 2004, the Company recorded a $67 million charge ($53 million in the first quarter of 2004), of which $14 million was reversed in the third quarter of 2004 as a result of an agreement having been finalized to lease a portion of the space to the AOL segment. Of the $53 million charge, approximately $26 million relates to a noncash write-off of an intangible asset recorded in connection with the America Online – Historic TW Merger, representing the favorable terms of the lease relative to market rates at that time. In the first quarter of 2005, the Company reversed approximately $3 million of this charge, as updated estimates indicate ceratin costs would no longer be incurred. The remaining amount primarily relates to the accrual of the expected loss on the sub-lease of the building, which is expected to be incurred over the remaining term of the lease of approximately nine years, and represents the present value of such obligations.

Through March 31, 2005, payments and other miscellaneous adjustments of $13 million were made against this liability. Of the remaining $11 million at March 31, 2005, $7 million of the accrual is classified as a current liability, with the remaining liability of $4 million classified as a long-term liability in the accompanying balance sheet.

10. COMMITMENTS AND CONTINGENCIES

Securities Matters

As of May 2, 2005, 30 shareholder class action lawsuits have been filed naming as defendants the Company, certain current and former executives of the Company and, in several instances, America Online, Inc. ("America Online"). These lawsuits were filed in U.S. District Courts for the Southern District of New York, the Eastern District of Virginia and the Eastern District of Texas. The complaints purport to be made on behalf of certain shareholders of the Company and allege that the Company made material misrepresentations and/or omissions of material fact in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. Plaintiffs claim that the Company failed to disclose America Online's declining advertising revenues and that the Company and America Online inappropriately inflated advertising revenues in a series of transactions. Certain of the lawsuits also allege that certain of the individual defendants and other insiders at the Company improperly sold their personal holdings of Time Warner stock, that the Company failed to disclose that the America Online-Historic TW Merger was not generating the synergies anticipated at the time of the announcement of the merger and, further, that the Company inappropriately delayed writing down more than $50 billion of goodwill. The lawsuits seek an unspecified amount in compensatory damages. All of these lawsuits have been centralized in the U.S. District Court for the Southern District of New York for coordinated or consolidated pretrial proceedings (along with the federal derivative lawsuits and certain lawsuits brought under the Employee Retirement Income Security Act ("ERISA") described below) under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* . Additional lawsuits filed by individual shareholders have also been consolidated for pretrial proceedings. The Minnesota State Board of Investment ("MSBI") has been designated lead plaintiff for the consolidated securities actions and filed a consolidated amended complaint on April 15, 2003, adding additional defendants including additional officers and directors of the Company, Morgan Stanley & Co., Salomon Smith Barney Inc., Citigroup Inc., Banc of America Securities LLC and JP Morgan Chase & Co. Plaintiffs also added additional allegations, including that the Company made material misrepresentations in its Registration Statements and Joint Proxy Statement-Prospectus related to the America Online-Historic TW Merger and in its registration statements pursuant to which debt securities were issued in April 2001 and April 2002, allegedly in violation of Section 11 and Section 12 of the Securities Act of 1933. On July 14, 2003, the defendants filed a motion to dismiss the consolidated amended complaint. On May 5, 2004, the district court granted in part the defendants' motion, dismissing all claims with respect to the registration statements pursuant to which debt securities were issued in April 2001 and April 2002 and certain other claims against other defendants, but otherwise allowing the remaining claims against the Company and certain other defendants to proceed. On August 11, 2004, the court granted MSBI's motion to file a second amended complaint. On July 30, 2004, defendants filed a motion for summary judgment on the basis that plaintiffs cannot establish loss causation for any of their claims, and thus plaintiffs do not have any recoverable damages. That motion is pending. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

As of May 2, 2005, three putative class action lawsuits have been filed alleging violations of ERISA in the U.S. District Court for the Southern District of New York on behalf of current and former participants in the Time Warner Savings Plan, the Time Warner Thrift Plan and/or the TWC Savings Plan (the "Plans"). Collectively, these lawsuits name as defendants the Company, certain current and former directors and officers of the Company and members of the Administrative Committees of the Plans. The lawsuits allege that the Company and other defendants breached certain fiduciary duties to plan participants by, *inter alia,* continuing to offer Time Warner stock as an investment under the Plans, and by failing to disclose, among other things, that the Company was experiencing declining advertising revenues and that the Company was inappropriately inflating advertising revenues through various transactions. The complaints seek unspecified damages and unspecified equitable relief. The ERISA actions have been consolidated as part of the *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* described above. On July 3, 2003, plaintiffs filed a consolidated amended complaint naming additional defendants, including Time Warner Entertainment Company, L.P. ("TWE"), certain current and former officers, directors and employees of the Company and Fidelity Management Trust Company. On September 12, 2003, the Company filed a motion to dismiss the consolidated ERISA complaint. On March 9, 2005, the court granted in part, and denied in part, the Company's motion to dismiss. The court dismissed two individual defendants and TWE for all purposes, dismissed other individuals with respect to claims plaintiffs had asserted involving the TWC Savings Plan, and dismissed all individuals who were named in a claim asserting that their stock sales had constituted a breach of fiduciary duty to the Plans. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these cases or reasonably estimate a range of possible loss.

As of May 2, 2005, 11 shareholder derivative lawsuits have been filed naming as defendants certain current and former directors and officers of the Company, as well as the Company as a nominal defendant. Three have been filed in New York State Supreme Court for the County of New York, four have been filed in the U.S. District Court for the Southern District of New York and four have been filed in the Court of Chancery of the State of Delaware for New Castle County. The complaints allege that defendants breached their fiduciary duties by causing the Company to issue corporate statements that did not accurately represent that America Online had declining advertising revenues, that the America Online-Historic TW Merger was not generating the synergies anticipated at the time of the announcement of the merger, and that the Company inappropriately delayed writing down more than $50 billion of goodwill, thereby exposing the Company to potential liability for alleged violations of federal securities laws. The lawsuits further allege that certain of the defendants improperly sold their personal holdings of Time Warner securities. The lawsuits request that (i) all proceeds from defendants' sales of Time Warner common stock, (ii) all expenses incurred by the Company as a result of the defense of the shareholder class actions discussed above and (iii) any improper salaries or payments, be returned to the Company. The four lawsuits filed in the Court of Chancery for the State of Delaware for New Castle County have been consolidated under the caption, *In re AOL Time Warner Inc. Derivative Litigation* . A consolidated complaint was filed on March 7, 2003 in that action, and on June 9, 2003, the Company filed a notice of motion to dismiss the consolidated complaint. On May 2, 2003, the three lawsuits filed in New York State Supreme Court for the County of New York were dismissed on *forum non conveniens* grounds and plaintiffs' time to appeal has expired. The four lawsuits pending in the U.S. District Court for the Southern District of New York have been centralized for coordinated or consolidated pre-trial proceedings with the securities and ERISA lawsuits described above under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* . On October 6, 2004, plaintiffs filed an amended consolidated complaint in three of these four cases. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

On July 1, 2003, *Stichting Pensioenfonds ABP v. AOL Time Warner Inc. et al.* was filed in the U.S. District Court for the Southern District of New York against the Company, current and former officers, directors and employees of the Company and Ernst & Young LLP. Plaintiff alleges that the Company made material misrepresentations and/or omissions of material fact in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, Section 11, Section 12, Section 14(a) and Rule 14a-9 promulgated thereunder, Section 18 and Section 20(a) of the Exchange Act. The complaint also alleges common law fraud and negligent misrepresentation. The plaintiff seeks an unspecified amount of compensatory and punitive damages. This lawsuit has been consolidated for coordinated pretrial proceedings under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* described above. On July 16, 2004, plaintiff filed an amended complaint adding certain institutional defendants, including Historic TW, and certain current directors of the Company. On November 22, 2004, the Company filed a motion to dismiss the complaint. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On November 11, 2002, Staro Asset Management, LLC filed a putative class action complaint in the U.S. District Court for the Southern District of New York on behalf of certain purchasers of Reliant 2.0% Zero-Premium Exchangeable Subordinated Notes for alleged violations of the federal securities laws. Plaintiff is a purchaser of subordinated notes, the price of which was purportedly tied to the market value of Time Warner stock. Plaintiff alleges that the Company made misstatements and/or omissions of material fact that artificially inflated the value of Time Warner stock and directly affected the price of the notes. Plaintiff seeks compensatory damages and/or rescission. This lawsuit has been consolidated for coordinated pretrial proceedings under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* described above. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On April 14, 2003, *Regents of the University of California et al. v. Parsons et al.*, was filed in California Superior Court, County of Los Angeles, naming as defendants the Company, certain current and former officers, directors and employees of the Company, Ernst & Young LLP, Citigroup Inc., Salomon Smith Barney Inc. and Morgan Stanley & Co. Plaintiffs allege that the Company made material misrepresentations in its registration statements related to the America Online — Historic TW Merger and stock option plans in violation of Sections 11 and 12 of the Securities Act of 1933. The complaint also alleges common law fraud and breach of fiduciary duties under California state law. Plaintiffs seek disgorgement of alleged insider trading proceeds and restitution for their stock losses. Three related cases have been filed in California Supreme Court and have been coordinated in the County of Los Angeles (the "California Actions"). On January 26, 2004, certain individuals filed motions to dismiss for lack of personal jurisdiction. On September 10, 2004, the Company filed a motion to dismiss plaintiffs' complaints and certain individual defendants (who had not previously moved to dismiss plaintiffs' complaints for lack of personal jurisdiction) filed a motion to dismiss plaintiffs' complaints. On April 22, 2005, the court granted certain motions to dismiss for lack of personal jurisdiction and denied certain motions to dismiss for lack of personal jurisdiction. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

On May 23, 2003, *Treasurer of New Jersey v. AOL Time Warner Inc. et al.* , was filed in the Superior Court of New Jersey, Mercer County, naming as defendants the Company, certain current and former officers, directors and employees of the Company, Ernst & Young LLP, Citigroup Inc., Salomon Smith Barney, Morgan Stanley, JP Morgan Chase and Banc of America Securities. The complaint is brought by the Treasurer of New Jersey and purports to be made on behalf of the State of New Jersey, Department of Treasury, Division of Investments (the "Division") and certain funds administered by the Division. Plaintiff alleges that the Company made material misrepresentations in its registration statements in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiff also alleges violations of New Jersey state law for fraud and negligent misrepresentation. Plaintiffs seek an unspecified amount of damages. On October 29, 2003, the Company moved to stay the proceedings or, in the alternative, dismiss the complaint. Also on October 29, 2003, all named individual defendants moved to dismiss the complaint for lack of personal jurisdiction. The parties have agreed to stay this action and to coordinate discovery proceedings with the securities and ERISA lawsuits described above under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* . The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On July 18, 2003, *Ohio Public Employees Retirement System et al. v. Parsons et al.* was filed in Ohio, Court of Common Pleas, Franklin County, naming as defendants the Company, certain current and former officers, directors and employees of the Company, Citigroup Inc., Salomon Smith Barney Inc., Morgan Stanley & Co. and Ernst & Young LLP. Plaintiffs allege that the Company made material misrepresentations in its registration statements in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiffs also allege violations of Ohio law, breach of fiduciary duty and common law fraud. Plaintiffs seek disgorgement of alleged insider trading proceeds, restitution and unspecified compensatory damages. On October 29, 2003, the Company moved to stay the proceedings or, in the alternative, dismiss the complaint. Also on October 29, 2003, all named individual defendants moved to dismiss the complaint for lack of personal jurisdiction. On October 8, 2004, the court granted in part defendants' motion to dismiss plaintiffs' complaint; specifically, the court dismissed plaintiffs' common law claims but otherwise allowed plaintiffs' remaining statutory claims against the Company and certain other defendants to proceed. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On July 18, 2003, *West Virginia Investment Management Board v. Parsons et al.* was filed in West Virginia, Circuit Court, Kanawha County naming as defendants the Company, certain current and former officers, directors and employees of the Company, Citigroup Inc., Salomon Smith Barney Inc., Morgan Stanley & Co., and Ernst & Young LLP. Plaintiff alleges the Company made material misrepresentations in its registration statements in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiff also alleges violations of West Virginia law, breach of fiduciary duty and common law fraud. Plaintiff seeks disgorgement of alleged insider trading proceeds, restitution and unspecified compensatory damages. On May 27, 2004, the Company filed a motion to dismiss the complaint. Also on May 27, 2004, all named individual defendants moved to dismiss the complaint for lack of personal jurisdiction. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On January 28, 2004, *McClure et al. v. AOL Time Warner Inc. et al.* was filed in the District Court of Cass County, Texas (purportedly on behalf of several purchasers of Company stock) naming as defendants the Company and certain current and former officers, directors and employees of the Company. Plaintiffs allege that the Company made material misrepresentations in its registration statements in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiffs also allege breach of fiduciary duty and common law fraud. Plaintiffs seek unspecified compensatory damages. On May 8, 2004, the Company filed a general denial and a motion to dismiss for improper venue. Also on May 8, 2004, all named individual defendants moved to dismiss the complaint for lack of personal jurisdiction. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On February 24, 2004, *Commonwealth of Pennsylvania Public School Employees' Retirement System et al. v. Time Warner Inc. et al*. was filed in the Court of Common Pleas of Philadelphia County naming as defendants the Company, certain current and former officers, directors and employees of the Company, America Online, Historic TW, Morgan Stanley & Co., Inc., Citigroup Global Markets Inc., Banc of America Securities LLC, J.P. Morgan Chase & Co and Ernst & Young LLP. Plaintiffs had previously filed a request for a writ of summons notifying defendants of commencement of an action. Plaintiffs allege that the Company made material misrepresentations in its registration statements in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiffs also allege violations of Pennsylvania Law, breach of fiduciary duty and common law fraud. The plaintiffs seek unspecified compensatory and punitive damages. Plaintiffs dismissed the four investment banks from the complaint in exchange for a tolling agreement. The remaining parties have agreed to stay this action and to coordinate discovery proceedings with the securities and ERISA lawsuits described above under the caption *In re AOL Time Warner Inc. Securities and "ERISA" Litigation* . The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On April 1, 2004, *Alaska State Department of Revenue et al. v. America Online, Inc. et al.* was filed in Superior Court in Juneau County, Alaska naming as defendants the Company, certain current and former officers, directors and employees of the Company, America Online, Historic TW, Morgan Stanley & Co., Inc., and Ernst & Young LLP. Plaintiffs allege that the Company made material misrepresentations in its registration statements in violation of Alaska law and common law fraud. The plaintiffs seek unspecified compensatory and punitive damages. On July 26, 2004, all named individual defendants moved to dismiss the complaint for lack of personal jurisdiction. On August 13, 2004, the Company filed a motion to dismiss plaintiffs' complaint. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On November 15, 2002, the California State Teachers' Retirement System filed an amended consolidated complaint in the U.S. District Court for the Central District of California on behalf of a putative class of purchasers of stock in Homestore.com, Inc. ("Homestore"). Plaintiff alleges that Homestore engaged in a scheme to defraud its shareholders in violation of Section 10(b) of the Exchange Act. The Company and two former employees of its America Online division were named as defendants in the amended consolidated complaint because of their alleged participation in the scheme through certain advertising transactions entered into with Homestore. Motions to dismiss filed by the Company and the two former employees were granted on March 7, 2003, and a final judgment of dismissal was entered on March 8, 2004. On April 7, 2004, plaintiff filed a notice of appeal in the Ninth Circuit Court of Appeals; that appeal was fully briefed as of January 10, 2005. The Company intends to defend against this lawsuit vigorously. The Company is unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On April 30, 2004, a second amended complaint was filed in the U.S. District Court for the District of Nevada on behalf of a putative class of purchasers of stock in PurchasePro.com, Inc. ("PurchasePro"). Plaintiffs allege that PurchasePro engaged in a scheme to defraud its shareholders in violation of Section 10(b) of the Exchange Act. The Company and four former officers and employees were added as defendants in the second amended complaint and are alleged to have participated in the scheme through certain advertising transactions entered into with PurchasePro. Three similar putative class actions had previously been filed against the Company, America Online and certain former officers and employees, and have been consolidated with the Nevada action. On February 17, 2005, the Judge in the consolidated action granted the Company's motion to dismiss the second amended complaint with prejudice. On September 13, 2004, in a related matter, PurchasePro filed an adversary proceeding against the

Company in the U.S. Bankruptcy Court for the District of Nevada alleging fraudulent conveyance and unjust enrichment in connection with PurchasePro warrants issued to the Company. On December 15, 2004, the Bankruptcy Court granted the Company's motion to dismiss the complaint without prejudice. On January 26, 2005, PurchasePro filed an amended complaint. On March 18, 2005, PurchasePro filed a second amended complaint, and on April 25, 2005, the Company filed a motion to dismiss the second amended complaint. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

Update on Government Investigations

As previously disclosed by the Company, the SEC and the DOJ had been conducting investigations into the accounting and disclosure practices of the Company. Those investigations focused on advertising transactions, principally involving the Company's America Online segment, the methods used by the America Online segment to report its subscriber numbers and the accounting related to the Company's interest in AOL Europe prior to January 2002.

The Company and its subsidiary, AOL, entered into a settlement with the DOJ in December 2004 that provided for a deferred prosecution arrangement for a two-year period. In addition, on March 21, 2005, the Company announced that the SEC has approved the Company's proposed settlement, which resolves the SEC's investigation of the Company.

Under the terms of the settlement with the SEC, the Company agreed, without admitting or denying the SEC's allegations, to be enjoined from future violations of certain provisions of the securities laws and to comply with the cease-and-desist order issued by the SEC to AOL in May 2000. The settlement also requires the Company to:

- Pay a $300 million penalty, which will be used for a Fair Fund, as authorized under the Sarbanes-Oxley Act;
- Adjust its historical accounting for Advertising revenues in certain transactions with Bertelsmann that were improperly recognized or prematurely recognized primarily in the second half of 2000, during 2001 and during 2002; as well as adjust its historical accounting for transactions involving three other AOL customers where there were Advertising revenues recognized in the second half of 2000 and during 2001;
- Adjust its historical accounting for its investment in and consolidation of AOL Europe; and
- Agree to the appointment of an independent examiner, who will either be or hire a certified public accountant. The independent examiner would review whether the Company's historical accounting for transactions with 17 counterparties identified by the SEC staff, principally involving online advertising revenues and including three cable programming affiliation agreements with related advertising elements, was in conformity with GAAP, and provide a report to the Company's audit and finance committee of its conclusions within 180 days of being engaged. The transactions that would be reviewed were entered into between June 1, 2000 and December 31, 2001, including subsequent amendments thereto, and involved online advertising and related transactions for which revenue was principally recognized before January 1, 2002.

The Company paid the $300 million penalty in March 2005; however, it will not be able to deduct the penalty for income tax purposes, be reimbursed or indemnified for such payment through insurance or any other source, or use such payment to setoff or reduce any award of compensatory damages to plaintiffs in related securities litigation pending against the Company.

The historical accounting adjustments were reflected in the restatement of the Company's financial results for each of the years ended December 31, 2000 through December 31, 2003, which were included in the Company's

2004 Form 10-K.

As previously discussed, as part of the settlement with the SEC, the Company agreed to appoint an independent examiner. Depending on the independent examiner's conclusions, a further restatement might be necessary. It is also possible that, so long as there are unresolved issues associated with the Company's financial statements, the effectiveness of any registration statement of the Company or its affiliates may be delayed.

Other Matters

On August 18, 2004, The Saul Zaentz Company filed a complaint in California Superior Court, County of Los Angeles, against New Line Cinema Corporation, a wholly owned subsidiary of the Company ("New Line"), for alleged breach of contract, declaratory relief and other claims. New Line and plaintiff are parties to a license agreement concerning rights in and to literary works written by J.R.R. Tolkien titled *The Hobbit* and *The Lord of the Rings* . The complaint alleges, among other things, that New Line owes royalties to plaintiff based on a percentage of gross receipts received by New Line's international subdistributors from its motion picture "The Lord of the Rings: The Fellowship of the Rings." On September 27, 2004, New Line filed an answer and cross-complaint for breach of contract and declaratory relief against plaintiff. A trial date has been set for July 19, 2005. The Company intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this suit.

Warner Bros. (South) Inc. ("WBS"), a wholly owned subsidiary of the Company, is litigating numerous tax cases in Brazil. WBS currently is the theatrical distribution licensee for Warner Bros. in Brazil and acts as a service provider to the Warner Bros. home video licensee. All of the ongoing tax litigation involves WBS' distribution activities prior to January 2004, when WBS conducted both theatrical and home video distribution. Much of the tax litigation stems from WBS' position that in distributing videos to rental retailers, it was conducting a distribution service, subject to a municipal service tax, and not the "industrialization" or sale of videos, subject to Brazilian federal and state VAT-like taxes. Both the federal tax authorities and the State of Sao Paulo, where WBS is based, have challenged this position. In some additional tax cases, WBS, often together with other film distributors, is challenging the imposition of taxes on royalties remitted outside of Brazil and the constitutionality of certain taxes. The Company intends to defend all of these various tax cases vigorously, but is unable to predict the outcome of these suits.

As of May 2, 2005, 22 putative consumer class action suits have been filed in various state and federal courts naming as defendants the Company or America Online. Plaintiffs allege that America Online violated various consumer protection laws by charging members for services or goods without authorization, including unauthorized secondary accounts offered in connection with America Online's "Spin-Off a Second Account" ("SOSA") program, and/or by continuing to charge members for services after receiving requests for cancellation. Motions to dismiss have been denied in *O'Leary v. America Online, Inc.* , which was filed in the Circuit Court for St. Clair County, Illinois, and *White v. America Online, Inc.* , which was filed in the Circuit Court for Madison County, Illinois. Eleven class actions involving SOSA accounts have been transferred by the Judicial Panel on Multidistrict Litigation to the U.S. District Court for the Central District of California for consolidated or coordinated pretrial proceedings (*In re America Online Spin-Off Accounts Litigation*), and the Company's motion to dismiss that complaint has been denied. On January 5, 2004, the SOSA case pending in the Superior Court of Washington, Spokane County, titled *Dix v. ICT Group and America Online,* was dismissed without prejudice based on the forum selection clause set forth in the plaintiffs' Member Agreement with AOL. On February 17, 2005, the Washington Court of Appeals reversed the lower court's dismissal; the Company intends to file a motion for reconsideration of the Court of Appeals' decision. On October 12, 2004, the SOSA case pending in the Court of Common Pleas of Hamilton County, Ohio, titled *Robert Schwartz v. America Online, Inc.* , was dismissed based on the forum selection clause and that dismissal is now final. *McCall v America Online, Inc.* , the SOSA case which was pending in the Superior Court of Cape May County, New Jersey, has been voluntarily dismissed. America Online has filed or will file motions to dismiss in the remaining cases. On April 7, 2005, the Circuit Court for St. Clair County, Illinois entered orders that permit an amended filing and consolidation of several cases and preliminarily approve a proposed nationwide class settlement. The proposed settlement is immaterial to the Company.

On May 24, 1999, two former AOL Community Leader volunteers filed *Hallissey et al. v. America Online, Inc.* in the U.S. District Court for the Southern District of New York. This lawsuit was brought as a collective action under the Fair Labor Standards Act ("FLSA") and as a class action under New York state law against America Online and AOL Community, Inc. The plaintiffs allege that, in serving as Community Leader volunteers, they were acting as employees rather than volunteers for purposes of the FLSA and New York state law and are entitled to minimum wages. On December 8, 2000, defendants filed a motion to dismiss on the ground that the plaintiffs were volunteers and not employees covered by the FLSA. The motion to dismiss is pending. A related case was filed by several of the *Hallissey* plaintiffs in the U.S. District Court for the Southern District of New York alleging violations of the retaliation provisions of the FLSA. This case has been stayed pending the outcome of the *Hallissey* motion to dismiss. Three related class actions have been filed in state courts in New Jersey, California and Ohio, alleging violations of the FLSA and/or the respective state laws. The New Jersey and Ohio cases were removed to federal court and subsequently transferred to the U.S. District Court for the Southern District of New York for consolidated pretrial proceedings with *Hallissey.* The California action was remanded to California state court and on January 6, 2004, the court denied plaintiffs' motion for class certification. Plaintiffs in that case have filed an appeal of the order denying class certification, and the trial court has stayed proceedings pending that appeal. The Company intends to defend against these lawsuits vigorously. The Company is unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

On January 17, 2002, Community Leader volunteers filed a class action lawsuit in the U.S. District Court for the Southern District of New York against the Company, America Online and AOL Community, Inc. under ERISA. Plaintiffs allege that they are entitled to pension and/or welfare benefits and/or other employee benefits subject to ERISA. In March 2003, plaintiffs filed and served a second amended complaint, adding as defendants the Company's Administrative Committee and the AOL Administrative Committee. On May 19, 2003, the Company, America Online and AOL Community, Inc. filed a motion to dismiss and the Administrative Committees filed a motion for judgment on the pleadings. Both of these motions are pending. The Company intends to defend against these lawsuits vigorously, but is unable to predict the outcome of these suits.

On October 7, 2003, *Kim Sevier and Eric M. Payne vs. Time Warner Inc. and Time Warner Cable Inc.* , a putative nationwide consumer class action, was filed in the U.S. District Court for the Southern District of New York, and on October 23, 2003, *Heidi D. Knight v. Time Warner Inc. and Time Warner Cable Inc* ., also a putative nationwide consumer class action, was filed in the same court. In each case, the plaintiffs allege that defendants unlawfully tie the provision of high-speed cable Internet service to leases of cable modem equipment, because they do not provide a discount to customers who provide their own cable modems, in violation of Section 1 of the Sherman Act and the New York Donnelly Act, and, further, that defendants' conduct resulted in unjust enrichment. On November 19, 2003, the court ordered plaintiffs' complaints to be consolidated. Plaintiffs filed their amended consolidated class action complaint on December 17, 2003, seeking compensatory damages, disgorgement, attorneys' fees and injunctive and declaratory relief. On February 6, 2004, the Company moved to compel arbitration and to stay the matter pending arbitration or, alternatively, to dismiss the case; the court denied this motion on April 19, 2004, and the Company filed a notice to appeal the decision on arbitration to the U.S. Court of Appeals for the Second Circuit. On March 7, 2005, the Second Circuit remanded the case to the district court so that the parties may seek approval of a proposed classwide settlement. The proposed settlement is immaterial to the Company.

On June 16, 1998, plaintiffs in *Andrew Parker and Eric DeBrauwere, et al. v. Time Warner Entertainment Company, L.P. and Time Warner Cable* filed a purported nationwide class action in U.S. District Court for the Eastern District of New York claiming that TWE sold its subscribers' personally identifiable information and failed to inform subscribers of their privacy rights in violation of the Cable Communications Policy Act of 1984 and common law. The plaintiffs are seeking damages and declaratory and injunctive relief. On August 6, 1998, TWE filed a motion to dismiss, which was denied on September 7, 1999. On December 8, 1999, TWE filed a motion to deny class certification, which was granted on January 9, 2001 with respect to monetary damages, but denied with respect to injunctive relief. On June 2, 2003, the U.S. Court of Appeals for the Second Circuit vacated the District Court's decision denying class certification as a matter of law and remanded the case for further proceedings on class certification and other matters. On May 4, 2004, plaintiffs filed a motion for class certification, which the Company has opposed. Recently, this lawsuit has been settled in principle on terms that are immaterial to the Company.

In the normal course of business, the Company's tax returns are subject to examination by various domestic and foreign taxing authorities. Such examinations may result in future tax and interest assessments on the Company. In instances where the Company believes that it is probable that it will be assessed, it has accrued a liability. The Company does not believe that these liabilities are material, individually or in the aggregate, to its financial condition or liquidity. Similarly, the Company does not expect the final resolution of tax examinations to have a material impact on the Company's financial results.

The costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in those matters (including those matters described above), and developments or assertions by or against the Company relating to intellectual property rights and intellectual property licenses, could have a material adverse effect on the Company's business, financial condition and operating results.

11. ADDITIONAL FINANCIAL INFORMATION

Cash Flows

Additional financial information with respect to cash (payments) and receipts is as follows:

	Three Months Ended March 31, 2005	2004
	(millions)	
Cash payments made for interest	$ (313)	$ (344)
Interest income received	45	17
Cash interest expense, net	$ (268)	$ (327)
Cash payments made for income taxes	$ (82)	$ (91)
Income tax refunds received	13	11
Cash taxes, net	$ (69)	$ (80)

Interest Expense, Net

Interest expense, net, consists of:

	Three Months Ended March 31, 2005	2004
	(millions)	
Interest income	$ 74	$ 49
Interest expense	(420)	(453)
Total interest expense, net	$ (346)	$ (404)

Other Income, Net

Other income, net, consists of:

	Three Months Ended March 31, 2005	2004
	(millions)	
Net investments gains	$ 103	$ 36
Income on equity method investees	11	6
Losses on accounts receivable securitization programs	(7)	(5)
Miscellaneous	4	(6)
Total other income, net	$ 111	$ 31

Other Current Liabilities

Other current liabilities consist of:

	March 31, 2005	December 31, 2004
	(millions)	
Accrued expenses	$ 4,009	$ 5,050
Accrued compensation	824	1,261
Accrued income taxes	201	157
Total other current liabilities	$ 5,034	$ 6,468

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

America Online, Inc. ("America Online"), Historic TW Inc. ("Historic TW"), Time Warner Companies, Inc. ("TW Companies") and Turner Broadcasting System, Inc. ("TBS" and, together with America Online, Historic TW and TW Companies, the "Guarantor Subsidiaries") are wholly-owned subsidiaries of Time Warner Inc. ("Time Warner"). Time Warner, America Online, Historic TW, TW Companies and TBS have fully and unconditionally, jointly and severally, and directly or indirectly, guaranteed all of the outstanding publicly traded indebtedness of each other. Set forth below are condensed consolidating financial statements of Time Warner, including each of the Guarantor Subsidiaries, presented for the information of each company's public debtholders. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of (i) America Online, Historic TW, TW Companies and TBS (in each case, reflecting investments in its consolidated subsidiaries under the equity method of accounting), (ii) the direct and indirect non-guarantor subsidiaries of Time Warner and (iii) the eliminations necessary to arrive at the information for Time Warner on a consolidated basis. There are no restrictions on the Company's ability to obtain funds from any of its wholly-owned subsidiaries through dividends, loans or advances. These condensed consolidating financial statements should be read in conjunction with the accompanying consolidated financial statements of Time Warner.

Consolidating Statement of Operations
For The Three Months Ended March 31, 2005

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
Revenues	$ —	$ 1,422	$ —	$ —	$ 261	$ 8,830	$ (30)	$ 10,483
Costs of revenues	—	(655)	—	—	(91)	(5,279)	25	(6,000)
Selling, general and administrative	(11)	(485)	(11)	(5)	(39)	(1,986)	9	(2,528)
Amortization of intangible assets	—	(8)	—	—	—	(142)	—	(150)
Restructuring costs	—	7	—	—	—	(19)	—	(12)
Asset impairments	—	—	—	—	—	(24)	—	(24)
Gains (losses) on disposal of assets, net	—	(2)	—	—	1	11	—	10
Operating income (loss)	(11)	279	(11)	(5)	132	1,391	4	1,779
Equity in pretax income (loss) of consolidated subsidiaries	1,616	17	1,267	1,060	356	—	(4,316)	—
Interest income (expense), net	(132)	(5)	(22)	(171)	(19)	3	—	(346)
Other income (expense), net	12	8	80	—	42	107	(138)	111
Minority interest expense, net	—	—	—	—	—	(59)	—	(59)
Income (loss) before income taxes	1,485	299	1,314	884	511	1,442	(4,450)	1,485
Income tax benefit (provision)	(522)	(79)	(492)	(320)	(205)	(541)	1,637	(522)
Net income (loss)	$ 963	$ 220	$ 822	$ 564	$ 306	$ 901	$ (2,813)	$ 963

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS – (Continued)

Consolidating Statement of Operations
For The Three Months Ended March 31, 2004

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
Revenues	$ —	$ 1,557	$ —	$ —	$ 227	$ 8,429	$ (28)	$ 10,185
Costs of revenues	—	(802)	—	—	(87)	(5,110)	28	(5,971)
Selling, general and administrative	(18)	(508)	(18)	(8)	(25)	(1,868)	—	(2,445)
Amortization of intangible assets	—	(9)	—	—	—	(145)	—	(154)
Gains (losses) on disposal of assets, net	—	—	—	—	(7)	8	—	1
Operating income (loss)	(18)	238	(18)	(8)	108	1,314	—	1,616
Equity in pretax income (loss) of consolidated subsidiaries	1,360	1	1,133	842	390	—	(3,726)	—
Interest expense, net	(161)	(18)	(22)	(125)	(16)	(62)	—	(404)
Other income (expense), net	6	46	(1)	(1)	29	77	(125)	31
Minority interest expense, net	—	—	—	—	—	(56)	—	(56)
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	1,187	267	1,092	708	511	1,273	(3,851)	1,187
Income tax benefit (provision)	(475)	(115)	(426)	(275)	(201)	(496)	1,513	(475)
Income (loss) before discontinued operations and cumulative effect of accounting change	712	152	666	433	310	777	(2,338)	712
Discontinued operations, net of tax	215	—	215	215	—	215	(645)	215
Income (loss) before cumulative effect of accounting change	927	152	881	648	310	992	(2,983)	927
Cumulative effect of accounting change, net of tax	34	34	—	—	—	34	(68)	34
Net income (loss)	$ 961	$ 186	$ 881	$ 648	$ 310	$ 1,026	$ (3,051)	$ 961

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS – (Continued)

Consolidating Balance Sheet
March 31, 2005

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
ASSETS								
Current assets								
Cash and equivalents	$ 6,481	$ 15	$ (2)	$ 52	$ (13)	$ 479	$ —	$ 7,012
Restricted cash	—	150	—	—	—	—	—	150
Receivables, net	37	191	—	(2)	(8)	4,276	—	4,494
Inventories	—	3	—	—	8	1,961	—	1,972
Investment in Google	—	918	—	—	—	—	—	918
Prepaid expenses and other current assets	47	120	—	—	3	930	—	1,100
Total current assets	6,565	1,397	(2)	50	(10)	7,646	—	15,646
Noncurrent inventories and film costs	—	—	—	—	—	4,270	—	4,270
Investments in amounts due to and from consolidated subsidiaries	79,517	848	84,502	72,067	17,819	—	(254,753)	—
Investments, including available-for-sale securities	25	163	472	—	432	4,114	(1,503)	3,703
Property, plant and equipment	551	1,051	—	—	112	11,446	—	13,160
Intangible assets subject to amortization	—	30	—	—	—	3,743	—	3,773
Intangible assets not subject to amortization	—	—	—	—	641	39,015	—	39,656
Goodwill	1,795	1,477	—	—	2,795	33,730	—	39,797
Other assets	1,124	318	636	—	23	2,078	(1,028)	3,151
Total assets	$89,577	$ 5,284	$85,608	$ 72,117	$21,812	$ 106,042	$ (257,284)	$ 123,156
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities								
Accounts payable	$ 10	$ 47	$ —	$ —	$ 6	$ 1,015	$ —	$ 1,078
Participations payable	—	—	—	—	—	2,558	—	2,558
Royalties and programming costs payable	—	20	—	—	1	1,072	—	1,093
Deferred revenue	—	361	—	—	—	1,191	—	1,552
Debt due within one year	1,000	99	—	501	—	26	—	1,626
Other current liabilities	655	766	40	70	170	3,366	(33)	5,034
Current liabilities of discontinued operations	—	—	—	—	—	44	—	44
Total current liabilities	1,665	1,293	40	571	177	9,272	(33)	12,985
Long-term debt	9,997	139	1,485	4,747	320	4,806	(1,028)	20,466
Debt due (from) to affiliates	(1,028)	—	—	—	1,647	1,028	(1,647)	—
Deferred income taxes	15,298	180	15,118	13,308	1,890	15,198	(45,694)	15,298
Deferred revenue	—	—	—	—	—	901	—	901
Other liabilities	334	53	706	—	15	3,500	—	4,608
Noncurrent liabilities of discontinued operations	—	—	20	—	—	18	—	38
Minority interests	—	—	—	—	—	7,034	(1,485)	5,549
Shareholders' equity								
Due (to) from Time Warner and subsidiaries	—	(937)	(2,486)	(5,135)	(4,132)	(23,815)	36,505	—
Other shareholders' equity	63,311	4,556	70,725	58,626	21,895	88,100	(243,902)	63,311
Total shareholders' equity	63,311	3,619	68,239	53,491	17,763	64,285	(207,397)	63,311
Total liabilities and shareholders' equity	$89,577	$ 5,284	$85,608	$ 72,117	$21,812	$ 106,042	$ (257,284)	$ 123,156

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS – (Continued)

Consolidating Balance Sheet
December 31, 2004

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
ASSETS								
Current assets								
Cash and equivalents	$ 5,568	$ 12	$ (1)	$ 84	$ (15)	$ 491	$ —	$ 6,139
Restricted cash	—	150	—	—	—	—	—	150
Receivables, net	30	201	—	(2)	(7)	5,290	—	5,512
Inventories	—	3	—	—	5	1,729	—	1,737
Prepaid expenses and other current assets	50	113	—	—	4	934	—	1,101
Total current assets	5,648	479	(1)	82	(13)	8,444	—	14,639
Noncurrent inventories and film costs	—	—	—	—	—	4,415	—	4,415
Investments in amounts due to and from consolidated subsidiaries	79,253	860	84,668	72,077	17,646	—	(254,504)	—
Investments, including available-for-sale securities	19	1,175	381	—	397	4,149	(1,418)	4,703
Property, plant and equipment	538	1,085	—	—	107	11,364	—	13,094
Intangible assets subject to amortization	—	38	—	—	—	3,854	—	3,892
Intangible assets not subject to amortization	—	—	—	—	641	39,015	—	39,656
Goodwill	1,795	1,477	—	—	2,795	33,600	—	39,667
Other assets	1,165	331	653	—	23	2,156	(1,055)	3,273
Total assets	$88,418	$ 5,445	$85,701	$ 72,159	$21,596	$ 106,997	$ (256,977)	$ 123,339
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities								
Accounts payable	$ 8	$ 96	$ —	$ —	$ 2	$ 1,233	$ —	$ 1,339
Participations payable	—	—	—	—	—	2,579	—	2,579
Royalties and programming costs payable	—	21	—	—	2	995	—	1,018
Deferred revenue	—	371	—	—	—	1,126	—	1,497
Debt due within one year	1,000	112	—	502	2	56	—	1,672
Other current liabilities	909	897	17	184	129	4,341	(9)	6,468
Current liabilities of discontinued operations	—	—	—	—	—	51	—	51
Total current liabilities	1,917	1,497	17	686	135	10,381	(9)	14,624
Long-term debt	10,024	154	1,483	4,752	320	5,026	(1,056)	20,703
Debt due (from) to affiliates	(1,056)	—	—	—	1,647	1,056	(1,647)	—
Deferred income taxes	14,943	(175)	15,118	13,349	1,849	15,198	(45,339)	14,943
Deferred revenue	—	2	—	—	—	903	—	905
Mandatorily convertible preferred stock	1,500	—	—	—	—	—	—	1,500
Other liabilities	319	65	689	—	13	3,255	—	4,341
Noncurrent liabilities of discontinued operations	—	—	20	—	—	18	—	38
Minority interests	—	—	—	—	—	6,981	(1,467)	5,514
Shareholders' equity								
Due (to) from Time Warner and subsidiaries	—	(454)	(1,544)	(4,700)	(3,963)	(23,018)	33,679	—
Other shareholders' equity	60,771	4,356	69,918	58,072	21,595	87,197	(241,138)	60,771
Total shareholders' equity	60,771	3,902	68,374	53,372	17,632	64,179	(207,459)	60,771
Total liabilities and shareholders' equity	$88,418	$ 5,445	$85,701	$ 72,159	$21,596	$ 106,997	$ (256,977)	$ 123,339

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS – (Continued)

Consolidating Statement of Cash Flows
For The Three Months Ended March 31, 2005

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
OPERATIONS								
Net income (loss)	$ 963	$ 220	$ 822	$ 564	$ 306	$ 901	$ (2,813)	$ 963
Adjustments for noncash and nonoperating items:								
Depreciation and amortization	10	135	—	—	7	650	—	802
Amortization of film costs	—	—	—	—	—	776	—	776
Impairments of goodwill	—	—	—	—	—	24	—	24
Loss on writedown of investments	—	—	—	—	—	3	—	3
Gain on sale of investments and other assets, net	—	(2)	—	—	—	(33)	—	(35)
Excess (deficiency) of distributions over equity in pretax income of consolidated subsidiaries	(1,616)	(17)	(1,267)	(1,060)	(356)	—	4,316	—
Equity in losses of investee companies and cash distributions	—	(2)	—	—	(1)	(4)	—	(7)
Changes in operating assets and liabilities, net of acquisitions	1,542	(30)	1,386	900	268	(107)	(4,624)	(665)
Adjustments relating to discontinued operations	—	—	—	—	—	(7)	—	(7)
Cash provided (used) by operations	899	304	941	404	224	2,203	(3,121)	1,854
INVESTING ACTIVITIES								
Investments and acquisitions, net of cash acquired	—	(1)	—	—	7	(230)	—	(224)
Advances to parents and consolidated subsidiaries	(28)	—	—	—	(42)	—	70	—
Capital expenditures and product development costs	(23)	(82)	—	—	(18)	(528)	—	(651)
Investment proceeds from available-for-sale-securities	—	—	—	—	—	1	—	1
Other investment proceeds	—	2	—	—	—	83	—	85
Cash provided (used) by investing activities	(51)	(81)	—	—	(53)	(674)	70	(789)
FINANCING ACTIVITIES								
Borrowings	—	—	—	—	—	1,285	—	1,285
Debt repayments	—	—	—	—	—	(1,532)	—	(1,532)
Change due to/from parent	(27)	(186)	(942)	(436)	(169)	(1,291)	3,051	—
Proceeds from exercise of stock options	99	—	—	—	—	—	—	99
Principal payments on capital leases	—	(34)	—	—	—	(3)	—	(37)
Other	(7)	—	—	—	—	—	—	(7)
Cash provided (used) by financing activities	65	(220)	(942)	(436)	(169)	(1,541)	3,051	(192)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	913	3	(1)	(32)	2	(12)	—	873
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	5,568	12	(1)	84	(15)	491	—	6,139
CASH AND EQUIVALENTS AT END OF PERIOD	$ 6,481	$ 15	$ (2)	$ 52	$ (13)	$ 479	$ —	$ 7,012

TIME WARNER INC.
SUPPLEMENTARY INFORMATION
CONDENSED CONSOLIDATING FINANCIAL STATEMENTS – (Continued)

Consolidating Statement of Cash Flows
For The Three Months Ended March 31, 2004

	Time Warner	America Online	Historic TW	TW Companies	TBS	Non-Guarantor Subsidiaries	Eliminations	Time Warner Consolidated
					(millions)			
OPERATIONS								
Net income (loss)	$ 961	$ 186	$ 881	$ 648	$ 310	$ 1,026	$ (3,051)	$ 961
Adjustments for noncash and nonoperating items:								
Cumulative effect of accounting change, net of tax	(34)	(34)	—	—	—	(34)	68	(34)
Depreciation and amortization	16	9	—	—	7	757	—	789
Amortization of film costs	—	—	—	—	—	725	—	725
Loss on writedown of investments	—	1	—	—	—	—	—	1
Gain on sale of investments and other assets, net	—	(38)	—	—	—	(1)	—	(39)
Excess (deficiency) of distributions over equity in pretax income of consolidated subsidiaries	(1,361)	—	(1,133)	(842)	(390)	—	3,726	—
Equity in losses of investee companies and cash distributions	—	(5)	—	—	(4)	17	—	8
Changes in operating assets and liabilities, net of acquisitions	3,426	139	4,026	3,768	262	1,722	(13,861)	(518)
Adjustments relating to discontinued operations	—	—	—	—	—	(74)	—	(74)
Cash provided (used) by operations	3,008	258	3,774	3,574	185	4,138	(13,118)	1,819
INVESTING ACTIVITIES								
Investments and acquisitions, net of cash acquired	—	28	—	—	(19)	(89)	—	(80)
Advances to parents and consolidated subsidiaries	(18)	—	(333)	(5)	(40)	—	396	—
Capital expenditures and product development costs	—	(69)	—	—	(30)	(458)	—	(557)
Investment proceeds from available-for-sale-securities	—	27	—	—	—	2	—	29
Other investment proceeds	—	23	—	—	8	2,540	—	2,571
Cash provided (used) by investing activities	(18)	9	(333)	(5)	(81)	1,995	396	1,963
FINANCING ACTIVITIES								
Borrowings	—	—	—	—	—	1,866	—	1,866
Debt repayments	—	—	—	(28)	(450)	(2,439)	—	(2,917)
Change due to/from parent	—	(154)	(3,442)	(3,573)	331	(5,884)	12,722	—
Proceeds from exercise of stock options	172	—	—	—	—	—	—	172
Principal payments on capital leases	—	(46)	—	—	—	(2)	—	(48)
Cash provided (used) by financing activities	172	(200)	(3,442)	(3,601)	(119)	(6,459)	12,722	(927)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	3,162	67	(1)	(32)	(15)	(326)	—	2,855
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,208	(39)	(1)	89	52	731	—	3,040
CASH AND EQUIVALENTS AT END OF PERIOD	$ 5,370	$ 28	$ (2)	$ 57	$ 37	$ 405	$ —	$ 5,895

Part II. Other Information

Item 1. Legal Proceedings.

Securities Matters

Reference is made to the lawsuit filed by the Regents of the University of California et al. described on page 40 of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "2004 Form 10-K") filed on March 11, 2005. On April 22, 2005, the court granted certain motions to dismiss for lack of personal jurisdiction and denied certain motions to dismiss for lack of personal jurisdiction.

Reference is made to the lawsuits filed on behalf of purchasers of stock in PurchasePro.com ("PurchasePro") described on page 42 of the 2004 Form 10-K. On March 18, 2005, PurchasePro filed a second amended complaint, and on April 25, 2005, the Company filed a motion to dismiss the second amended complaint.

Update on Government Investigations

As previously disclosed by the Company, the Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") had been conducting investigations into the accounting and disclosure practices of the Company. Those investigations focused on advertising transactions, principally involving the Company's America Online segment, the methods used by the America Online segment to report its subscriber numbers and the accounting related to the Company's interest in AOL Europe S.A. ("AOL Europe") prior to January 2002.

The Company and its subsidiary, AOL, entered into a settlement with the DOJ in December 2004 that provided for a deferred prosecution arrangement for a two-year period. In addition, on March 21, 2005, the Company announced that the SEC has approved the Company's proposed settlement, which resolves the SEC's investigation of the Company.

Under the terms of the settlement with the SEC, the Company agreed, without admitting or denying the SEC's allegations, to be enjoined from future violations of certain provisions of the securities laws and to comply with the cease-and-desist order issued by the SEC to AOL in May 2000. The settlement also requires the Company to:

- Pay a $300 million penalty, which will be used for a Fair Fund, as authorized under the Sarbanes-Oxley Act;
- Adjust its historical accounting for Advertising revenues in certain transactions with Bertelsmann, A.G. that were improperly recognized or prematurely recognized primarily in the second half of 2000, during 2001 and during 2002; as well as adjust its historical accounting for transactions involving three other AOL customers where there were Advertising revenues recognized in the second half of 2000 and during 2001;
- Adjust its historical accounting for its investment in and consolidation of AOL Europe; and
- Agree to the appointment of an independent examiner, who will either be or hire a certified public accountant. The independent examiner would review whether the Company's historical accounting for transactions with 17 counterparties identified by the SEC staff, principally involving online advertising revenues and including three cable programming affiliation agreements with related advertising elements, was in conformity with generally accepted accounting principles, and provide a report to the Company's audit and finance committee of its conclusions within 180 days of being engaged. The transactions that would be reviewed were entered into between June 1, 2000 and December 31, 2001, including subsequent amendments thereto, and involved online advertising and related transactions for which revenue was principally recognized before January 1, 2002.

The Company paid the $300 million penalty in March 2005; however, it will not be able to deduct the penalty for income tax purposes, be reimbursed or indemnified for such payment through insurance or any other source, or use such payment to setoff or reduce any award of compensatory damages to plaintiffs in related securities litigation pending against the Company.

The historical accounting adjustments were reflected in the restatement of the Company's financial results for each of the years ended December 31, 2000 through December 31, 2003, which were included in the Company's 2004 Form 10-K.

As previously discussed, as part of the settlement with the SEC, the Company agreed to appoint an independent examiner. Depending on the independent examiner's conclusions, a further restatement might be necessary. It is also possible that, so long as there are unresolved issues associated with the Company's financial statements, the effectiveness of any registration statement of the Company or its affiliates may be delayed.

Other Matters

Reference is made to the putative consumer class action suits described on page 44 of the 2004 Form 10-K. On April 7, 2005, the Circuit Court for St. Clair County, Illinois, entered orders that permit an amended filing and consolidation of several cases and preliminarily approve a proposed nationwide class settlement. The proposed settlement is immaterial to the Company.

Reference is made to the lawsuit filed by Andrew Parker and Eric DeBrauwere et al., a purported nationwide class action, described on page 45 of the 2004 Form 10-K. Recently, this lawsuit has been settled in principle on terms that are immaterial to the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about purchases by the Company during the quarter ended March 31, 2005 of equity securities registered by the Company pursuant to Section 12 of the Exchange Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans Programs	Maximum Number of Shares that May Yet Be Purchased Under or the Plans or Programs
Jan. 1, 2005 – Jan. 31, 2005	2,781	$19.28	0	0
Feb. 1, 2005 – Feb. 28, 2005	186,160	$17.91	0	0
March 1, 2005 – March 31, 2005	174,328	$17.86	0	0
Total	363,269	$17.90	0	0

(1) These shares represent shares of Common Stock that are tendered by employees to the Company to satisfy the employees' tax withholding obligations in connection with the vesting of awards of restricted stock. Such shares are repurchased by the Company based on their fair market value on the vesting date.

Item 5. Other Information.

Amendment to the Company's Articles of Incorporation

On May 2, 2005, the Company filed with the Secretary of State of the State of Delaware a Certificate of Elimination to eliminate from the Company's Restated Certificate of Incorporation, as amended, the Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights and Qualifications, Limitations or Restrictions Thereof of the Company's Series A Mandatorily Convertible Preferred Stock ("Series A Preferred Stock"). On March 31, 2005, the one outstanding share of Series A Preferred Stock automatically converted, pursuant to its terms, into shares of the Company's Common Stock. As a result, as of March 31, 2005, no shares of Series A Preferred Stock remained outstanding and no additional shares could be issued. The Certificate of Elimination is filed as Exhibit 3.1 to this report.

Item 6. Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as a part of this report and such Exhibit Index is incorporated herein by reference.

TIME WARNER INC.

SIGNATURE

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

TIME WARNER INC.
(Registrant)

Date May 4, 2005

/s/ Wayne H. Pace
Wayne H. Pace
Executive Vice President
and Chief Financial Officer

EXHIBIT INDEX

Pursuant to Item 601 of Regulation S-K

Exhibit No.	Description of Exhibit
3.1	Certificate of Elimination relating to the Company's Series A Mandatorily Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on May 2, 2005.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. †

† This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 3.1

TIME WARNER INC.

CERTIFICATE OF ELIMINATION

TIME WARNER INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (formerly named AOL Time Warner Inc.) (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation on April 22, 2005, the following resolutions were duly adopted authorizing the elimination of the Series A Mandatorily Convertible Preferred Stock of the Corporation (for which the Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof was filed with the Secretary of State of the State of Delaware on March 31, 2003):

WHEREAS, the one share of the Corporation's Series A Mandatorily Convertible Preferred Stock that had been issued has converted automatically by its terms into shares of the Corporation's Common Stock;

RESOLVED, that no shares of the Corporation's Series A Mandatorily Convertible Preferred Stock remain outstanding and no additional shares will be issued; and

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to execute and acknowledge a Certificate of Elimination on behalf of the Corporation and under its corporate seal, if required, and file it with the Secretary of State of the State of Delaware.

SECOND: That in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, the Corporation's Restated Certificate of Incorporation, as amended, is hereby further amended to eliminate all matters set forth in the Certificate of Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights, and Qualifications, Limitations or Restrictions Thereof filed on March 31, 2003 with respect to the Series A Mandatorily Convertible Preferred Stock.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by a duly authorized officer on this 2nd day of May, 2005.

TIME WARNER INC.

/s/ Brenda C. Karickhoff

Name: Brenda C. Karickhoff
Title: Senior Vice President and Deputy General Counsel

EXHIBIT 31.1

CERTIFICATIONS

I, Richard D. Parsons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Time Warner Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2005

By: /s/ Richard D. Parsons

Name: Richard D. Parsons
Title: Chief Executive Officer
Time Warner Inc.

EXHIBIT 31.2

CERTIFICATIONS

I, Wayne H. Pace, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Time Warner Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2005

By: /s/ Wayne H. Pace

Name: Wayne H. Pace
Title: Chief Financial Officer
Time Warner Inc.

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Time Warner Inc., a Delaware corporation (the "Company"), for the quarter ended March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his respective knowledge:

1. the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2005

/s/ Richard D. Parsons

Richard D. Parsons
Chief Executive Officer
Time Warner Inc.

Date: May 4, 2005

/s/ Wayne H. Pace

Wayne H. Pace
Chief Financial Officer
Time Warner Inc.