Attractive valuation for Adelphia and Comcast systems

Newly Acquired Adelphia and Comcast systems

Cash	$9.2B
TW Cable equity *	$4.8B - $5.1B
Total consideration	$14.0B - $14.3B
Less: present value of tax benefits	($2.5B)
Total consideration, net of tax	$11.5B - $11.8B
Basic subscribers	4.3M
Value per subscriber	$2,700 - $2,800
Adjusted OIBDA ** – first year after close	$1.1B - $1.3B
Adjusted OIBDA ** multiple	9.0x - 11.0x

Note: subscriber amounts based on information as of December 31, 2004.

* Valuation based on Time Warner estimates.

** Adjusted OIBDA defined as Operating Income before D&A, excluding the impact of non-cash impairments of goodwill, intangible and fixed assets, as well as gains and losses on asset sales and certain other acquisition related costs.

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TWX balance sheet remains strong

	Net debt *	Leverage ratio **
Year-end 2004	$ 16.2B	1.6x
Transaction impact	11.2B	
Pro forma 2004	$ 27.4B	
Pro forma YE 2005 leverage		2.00x-2.25x

* Net debt defined as total debt, including preferred debt, less cash and cash equivalents.
** Leverage ratio is defined as net debt divided by trailing 12 months Adjusted OIBDA. Adjusted OIBDA is defined as Operating Income before D&A, excluding the impact of non-cash impairments of goodwill, intangible and fixed assets, as well as gains and losses on asset sales and certain other acquisition related costs.

Other transaction points

- **Accounting**
  - Asset purchase; only select liabilities assumed
- **Tax treatment**
  - Adelphia – taxable transaction with full basis step-up
  - Comcast swaps and redemption designed to be tax-free
- **Approvals**
  - Customary regulatory approvals
  - Adelphia – subject to bankruptcy process
  - TWX and Comcast – no required shareholder approval
- **Closing**
  - Anticipated in 9-12 months

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