

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)	-58.6%	46.4%	-39.7%	-68.1%
EPS - Excluding Non-Recurring Items	(\$1.21)	(\$0.59)	(\$0.79)	(\$0.47)	(\$0.15)	-25.2%	-12.8%	-39.8%	-68.1%
Cash Earnings (EPS+GW+Noncash Taxes)	\$0.17	\$0.50	\$0.65	\$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	6,147	7,472	8,914	11,892	14,285	20.8%	19.3%	30.1%	23.2%
EBITDA (Without Synergies)	6,147	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	Q1:00E	Q2:98	Q2:99	Q2:00E	Q3:98	Q3:99	Q3:00E	Q4:98	Q4:99	Q4:00E	% Chg	% Chg	% Chg	
Revenues:																
Cable Networks	\$1,240	\$1,364	10%	\$1,415	\$1,611	14%	\$1,852	\$1,330	\$1,450	9%	\$1,662	\$1,382	21%	\$1,939	19%	
Publishing	948	974	3%	1,136	1,153	1%	1,143	1,076	1,110	3%	1,107	1,336	7%	1,428	1%	
Music	888	916	5%	905	828	-9%	820	938	852	-5%	884	1,284	6%	1,218	-6%	
Filmed Entertainment	1,684	1,687	1%	1,834	1,783	-3%	1,901	2,272	2,208	-3%	2,356	2,188	7%	2,387	9%	
WB Network	45	79	76%	61	83	36%	101	64	84	31%	102	90	13%	138	53%	
Cable	1,401	1,298	-7%	1,326	1,330	0%	1,489	1,288	1,342	4%	1,532	1,327	14%	1,406	6%	
AOL	757	1,253	66%	943	1,377	46%	1,949	969	1,467	47%	2,042	1,148	1,621	41%	2,201	16%
Total Revenues	(258)	(255)	-1%	(241)	(252)	7%	(302)	(325)	(323)	(323)	(323)	(323)	24%	(323)	16%	
Intersegment Elimination	6,705	7,344	10%	7,378	7,408	7%	8,853	7,892	8,190	6%	9,316	8,415	14%	9,608	14%	
Total Revenues (Without Synergies)	6,705	7,344	10%	7,378	7,408	7%	8,853	7,892	8,190	6%	9,316	8,415	14%	9,608	14%	
EBITDA:																
Cable Networks	289	340	18%	341	398	17%	458	302	361	20%	418	344	43%	430	25%	
Publishing	104	113	9%	195	215	10%	245	132	146	12%	170	256	28%	284	11%	
Music	105	108	1%	106	116	9%	116	111	98	-12%	105	214	20%	203	-5%	
Filmed Entertainment	146	405	177%	216	276	27%	236	282	274	-3%	274	240	23%	233	-3%	
Broadcasting-The WB Network	(38)	(41)	-8%	(31)	(24)	26%	(20)	(16)	(24)	(50%)	(15)	(15)	3	(15)	3	
Cable	612	585	-4%	668	663	-1%	689	823	1,067	76%	708	660	16%	653	-5%	
AOL	(20)	146	872%	57	311	449%	543	159	365	130%	601	214	419	96%	622	48%
Total EBITDA	(35)	12	134%	(8)	(12)	-113%	(20)	(33)	(23)	(30%)	(20)	(18)	(18)	(18)	(18)	
Intersegment Elimination	1,163	1,466	43%	1,530	2,031	72%	2,187	1,849	2,206	47%	2,187	1,895	3,209	69%	2,575	20%
Total EBITDA (Without Synergies)	1,163	1,466	43%	1,530	2,031	72%	2,187	1,849	2,206	47%	2,187	1,895	3,209	69%	2,575	20%
Depreciation	(377)	(339)	-10%	(366)	(371)	2%	(422)	(374)	(381)	2%	(444)	(378)	(387)	2%	(462)	19%
Amortization	(2,099)	(2,085)	-1%	(2,089)	(2,059)	9%	(2,110)	(2,109)	(2,099)	-1%	(2,110)	(2,103)	(2,125)	16%	(2,110)	-1%
Operating Income	(1,312)	(798)	-42%	(933)	171	-118%	(344)	(922)	(286)	-60%	(366)	(586)	(987)	-219%	3	99%
Interest & Other, Net	(425)	81	-118%	(424)	(324)	-24%	(515)	(486)	(448)	-8%	(506)	(673)	(408)	-39%	(493)	21%
Minority Interest	(83)	(85)	2%	(94)	(105)	14%	(105)	(71)	(72)	(73)	(73)	(84)	(73)	(73)	(73)	3%
Corporate Expenses	(53)	(62)	16%	(50)	(50)	17%	(60)	(53)	(63)	16%	(68)	(65)	(70)	6%	(79)	12%
Protein Income	(1,873)	(834)	-56%	(1,507)	(466)	-70%	(1,030)	(1,530)	(781)	-50%	(1,014)	(1,408)	(346)	-110%	(843)	-539%
Income Tax	343	(8)	-102%	233	(122)	-124%	34	265	(55)	-220%	36	231	(381)	-354%	(109)	-81%
Income Before Extraordinary Items	(1,530)	(833)	-46%	(1,274)	(628)	-51%	(967)	(1,267)	(816)	-36%	(919)	(1,177)	(245)	-79%	(752)	20%
Extraordinary Items	(1,530)	(833)	-46%	(1,274)	(628)	-51%	(967)	(1,267)	(816)	-36%	(919)	(1,177)	(245)	-79%	(752)	20%
Net Income	(82)	(18)	-78%	(18)	(18)	-27%	(5)	(29)	(19)	-39%	(3)	(35)	(17)	59%	(3)	59%
Preferred Dividends	(81)	(81)	-1%	(81)	(81)	-1%	(81)	(81)	(81)	-1%	(81)	(81)	(81)	-1%	(81)	-1%
Income for Common	(1,612)	(881)	-47%	(1,335)	(546)	-58%	(1,047)	(1,348)	(900)	-49%	(882)	(1,461)	(222)	-83%	(755)	-200%
Income to Common Before Extra Items	(1,612)	(881)	-47%	(1,335)	(546)	-58%	(1,047)	(1,348)	(900)	-49%	(882)	(1,461)	(222)	-83%	(755)	-200%
EPS - Reported	(60.40)	(60.18)	-5%	(60.30)	(60.13)	-6%	(60.21)	(60.23)	(60.17)	-4%	(60.20)	(60.32)	(60.05)	-44%	(60.16)	200%
EPS - Excluding Non-Recurring Items	(60.37)	(60.26)	-3%	(60.25)	(60.23)	-3%	(60.21)	(60.36)	(60.23)	-2%	(60.20)	(60.25)	(60.19)	-24%	(60.16)	-17%
Shares Outstanding	4,067	4,777	18%	4,527	4,793	6%	4,803	4,601	4,777	7%	4,810	4,647	4,813	16%	4,810	17%
Effective Tax Rate	-18%	1%	-19%	-15%	36%	-3%	-3%	-17%	7%	-4%	-4%	16%	267%	17%	17%	
EBITDA Metrics:																
Cable Networks	23.3%	24.9%	25.0%	24.1%	24.7%	24.7%	24.7%	22.7%	24.9%	24.9%	25.2%	24.7%	25.5%	26.2%	26.2%	
Publishing	11.0%	11.6%	14.5%	17.2%	18.6%	21.4%	17.2%	12.3%	13.3%	15.3%	19.4%	19.9%	19.9%	21.7%	21.7%	
Music	8.7%	21.9%	11.5%	11.7%	14.0%	14.1%	11.8%	12.4%	11.5%	11.8%	11.0%	9.6%	9.6%	17.4%	17.4%	
Filmed Entertainment	-84.4%	-51.9%	-30.4%	-37.7%	-34.9%	-19.6%	-25.0%	-25.0%	-28.6%	-14.4%	-11.6%	-11.6%	-9.6%	-7.3%	5.1%	
Broadcasting-The WB Network	43.7%	45.1%	48.2%	50.0%	103.6%	46.2%	46.2%	49.7%	81.7%	46.2%	49.7%	117.6%	47.1%	47.1%	47.1%	
Cable	42.7%	11.7%	22.5%	5.0%	22.5%	29.4%	29.4%	15.5%	24.9%	29.4%	18.6%	25.0%	28.2%	28.2%		
Total EBITDA	17.3%	22.7%	33.3%	20.7%	33.3%	24.4%	24.4%	20.3%	26.0%	26.0%	23.5%	33.4%	23.9%	23.9%	23.9%	
EBITDA Adjusted for Non-Recurring Items:																
EBITDA	1,207	1,554	29%	1,544	1,875	21%	2,187	1,584	1,819	17%	2,187	1,879	2,224	16%	2,375	16%
EBITDA (Without Synergies)	1,207	1,554	29%	1,544	1,875	21%	2,187	1,584	1,819	17%	2,187	1,879	2,224	16%	2,375	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 and 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	2000E	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	\$0.48	\$0.53	\$0.63	911%	31%	20%
EPS - Excluding Non-Recurring Items	\$0.07	\$0.25	\$0.49	\$0.63	248%	63%	36%
Cash Earnings (EPS+GW)	\$0.18	\$0.28	\$0.49	\$0.68	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	\$507	\$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 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 20: America Online—Quarterly Model 1998-2000E

	March Quarter			June Quarter			September Quarter			December Quarter		
	1Q 99	2Q 99	% Chg.	3Q 99	4Q 99	% Chg.	1Q 00E	2Q 00E	% Chg.	3Q 00E	4Q 00E	% Chg.
Revenues												
Subscription Services	\$580	\$869	50%	\$1,153	\$1,232	31%	\$723	\$965	38%	\$1,306	\$1,167	-10%
Advertising, Commerce and Other	142	275	94%	557	676	21%	175	390	100%	605	437	-28%
Enterprise Solutions	35	109	213%	128	134	5%	101	122	21%	132	117	-12%
Total Revenues	757	1,253	66%	1,838	2,042	11%	999	1,467	47%	2,042	1,721	-16%
Cost of Revenue as % of Revenue												
Cost of Revenue	488	693	42%	917	1,002	35%	583	791	36%	1,050	831	-21%
Cost of Revenue as % of Revenue	64%	55%	-9%	50%	49%	-1%	58%	54%	-4%	51%	48%	-3%
Sales & Marketing												
Product Development	138	218	56%	286	284	0%	174	209	20%	272	207	-24%
General & Administrative	65	80	23%	76	86	13%	67	67	0%	83	74	-11%
Amortization of Goodwill & Other Intangibles	67	98	45%	129	121	-7%	67	96	43%	125	76	-39%
Acquired In-Process R&D	7	17	143%	18	18	0%	16	18	13%	18	17	0%
Merger, Restructuring and Contract Termination Charges	10	78	680%	70	70	0%	70	70	0%	70	70	0%
Settlement Charges	48	78	63%	15	15	0%	15	15	0%	15	15	0%
Income (loss) from Operations	(66)	69	204%	410	438	7%	92	286	212%	484	341	-29%
Other Income Net												
Corporate Expenses	4	587	14,675%	336	0%	0%	5	37	0%	58	160	0%
Pretax Income	(62)	631	10,177%	746	438	59%	97	323	233%	542	181	-67%
Provision for Taxes	(78)	634	913%	719	13%	13%	82	302	266%	525	139	-73%
Net Income	(\$140)	\$11	8%	27	425	1,543%	15	118	780%	317	142	-55%
EPS - Reported	(\$0.04)	\$0.16	400%	\$0.17	\$0.17	0%	\$0.03	\$0.07	100%	\$0.12	\$0.11	-9%
EPS - Excluding Non-Recurring Items	(\$0.01)	\$0.04	400%	\$0.16	\$0.16	0%	\$0.03	\$0.07	100%	\$0.12	\$0.11	-9%
Average Diluted Shares	1,864	2,574	39%	2,590	2,800	8%	2,398	2,574	8%	2,607	2,444	-6%
Effective Tax Rate	0%	35%	35%	0%	39%	39%	7%	39%	39%	17%	39%	39%
Depreciation	\$39	\$80	54%	\$87	\$87	0%	\$51	\$61	20%	\$69	\$56	-19%
EBITDA	(\$20)	\$140	800%	\$115	\$115	0%	\$109	\$109	0%	\$109	\$109	0%
EBITDA Adjusted for Non-Recurring Items	(\$38)	\$102	268%	\$102	\$102	0%	\$102	\$102	0%	\$102	\$102	0%
EBITDA Margin	5.0%	19.9%	298%	28.1%	28.1%	0%	15.9%	24.9%	56%	24.9%	24.9%	0%
Operating Income Margin	-8.8%	5.5%	62%	14.7%	21.4%	46%	9.2%	19.5%	111%	24.2%	21.0%	-12%
Additional Information:												
AOL Subscribers at Period End	11.9	16.9	42%	22.2	23.1	4%	12.5	18.7	50%	24.2	20.5	-16%
AOL Subscribers Added During the Period	1.1	1.8	57%	1.7	1.7	0%	0.6	0.7	14%	1.0	1.1	10%
CompuServe Subscribers at Period End	2.1	2.1	0%	2.7	2.9	10%	2.0	2.2	10%	2.9	3.2	10%
CompuServe Subscribers Added During the Period	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%
Customer Solutions/Gateway Subscribers at Period End	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%
Customer Solutions/Gateway Subscribers Added During the Period	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%
Total Subscribers at Period End	14.0	19.0	36%	25.8	26.8	4%	15.5	20.9	35%	28.1	24.8	-12%
Total Subscribers Added During the Period	3.2	1.7	-47%	2.0	1.7	-15%	0.5	0.5	0%	1.3	1.3	0%
Average Subscribers												
AOL Subscribers	12.4	18.2	47%	24.8	26.3	6%	14.2	20.3	43%	27.4	16.4	-39%
U.S. Subscribers at Period End	11.8	16.0	36%	21.4	22.1	3%	12.2	17.8	46%	23.1	14.5	-38%
Average U.S. Subscribers	11.2	15.3	36%	20.6	21.7	5%	12.5	17.2	37%	22.6	13.7	-39%
International Subscribers at Period End	2.2	3.0	36%	4.4	4.7	8%	2.6	3.1	19%	5.0	2.8	-44%
Average International Subscribers	1.6	2.9	81%	4.2	4.4	4%	2.5	3.1	23%	4.9	2.7	-45%
Monthly Subscription Revenue/Average U.S. Subscriber	\$17.21	\$18.99	10%	\$18.68	\$19.90	6%	\$18.23	\$19.28	6%	\$19.28	\$19.12	-1%
Monthly Advertising Revenue/Average Total Subscriber	\$3.83	\$5.05	32%	\$7.50	\$7.40	-1%	\$3.89	\$5.76	48%	\$4.96	\$6.52	32%

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	1999	2000E	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	1,160	1,397	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	1,694	3,927	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)	4,298	4,877	5,284	5,880		14.3%	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	Q1.00	Q2.98	Q2.99	Q2.00E	Q3.98	Q3.99	Q3.00E	Q4.98	Q4.99	Q4.00E	% Chg.
CONSOLIDATED													
Revenues:													
Cable Networks	\$1,240	\$1,384	\$1,586	\$1,415	\$1,611	\$1,862	\$1,330	\$1,450	\$1,662	\$1,392	\$1,686	\$1,939	15%
Publishing	948	974	917	1,136	1,153	1,143	1,076	1,110	1,107	1,316	1,426	1,419	1%
Music	888	896	939	905	828	820	918	852	895	1,294	1,218	1,255	3%
Filmed Entertainment	1,884	1,697	1,880	1,834	1,783	1,901	2,272	2,208	2,356	2,188	2,387	2,545	7%
WB Network	45	79	102	61	83	101	64	84	102	80	138	148	7%
Cable	1,401	1,296	1,447	1,326	1,330	1,489	1,288	1,342	1,532	1,327	1,406	1,577	12%
Time Warner Digital Media													0%
Interest Elimination	(258)	(255)	(324)	(241)	(257)	(302)	(325)	(323)	(345)	(380)	(274)	(323)	18%
Total Revenues	5,948	6,091	6,547	6,436	6,531	7,004	6,393	6,723	7,274	7,287	7,988	8,560	7%
EBITA:													
Cable Networks	262	309	364	311	366	423	271	328	383	316	384	469	19%
Publishing	85	94	117	176	196	225	112	129	150	234	260	283	9%
Music	86	89	80	87	98	96	95	79	85	196	183	196	7%
Filmed Entertainment	104	375	194	160	203	200	233	228	230	198	191	205	8%
WB Network	(38)	(41)	(31)	(23)	(30)	(20)	(17)	(24)	(15)	(15)	3	8	161%
Cable	381	403	485	448	448	465	417	894	473	448	1,450	496	6%
Time Warner Digital Media	0	0	0	0	0	(60)	0	0	0	0	(17)	0	0%
Interest Elimination	(35)	12	(8)	(8)	1	(20)	(33)	(23)	(20)	(18)	(17)	(20)	40%
Total EBITA	845	1,241	1,171	1,151	2,014	1,310	1,078	1,611	1,231	1,359	2,464	1,561	-36%
Amortization	(329)	(306)	(330)	(327)	(311)	(330)	(330)	(316)	(323)	(325)	(346)	(330)	-5%
Operating Income	516	935	841	824	1,703	980	748	1,295	901	1,034	2,118	1,251	-47%
Interest & Other, Net	(421)	(506)	(808)	(439)	(354)	(565)	(491)	(485)	(564)	(689)	(568)	(560)	7%
Minority Interest	(83)	(85)	(54)	(100)	(245)	(105)	(71)	(72)	(71)	(84)	(73)	(75)	3%
Corporate Expenses	(327)	(400)	(433)	(332)	(460)	(433)	(330)	(400)	(430)	(465)	(433)	(455)	5%
Pretax Income	(25)	104	(165)	248	1,064	288	148	698	372	222	687	215	-60%
Income Tax	(37)	(186)	(32)	(142)	(471)	(165)	(109)	(317)	(180)	(125)	(586)	(276)	53%
Income Bef Extraordinary Items	(62)	138	(96)	101	593	101	38	172	83	90	848	295	-65%
Extraordinary Items													0%
Net Income	(62)	138	(96)	101	593	101	38	172	83	90	848	295	0%
Preferred Dividends	(82)	(19)	(9)	(28)	(18)	(15)	(75)	(18)	(15)	(304)	(7)	(3)	58%
Income for Common	(144)	120	(105)	73	575	86	(37)	372	68	(24)	841	292	65%
Income to Common before Extra Items													0%
Extraordinary Items													0%
Income to Common	(144)	120	(105)	73	575	86	(37)	372	68	(24)	841	292	65%
EPS - Reported	(0.13)	\$0.10	(0.08)	\$0.02	\$0.48	\$0.13	(0.01)	\$0.39	\$0.08	(0.01)	\$0.65	\$0.22	-66%
EPS - Including Non-Recurring Items	(0.13)	\$0.10	(0.08)	(0.01)	\$0.13	\$0.07	(0.01)	\$0.39	\$0.08	(0.01)	\$0.20	\$0.22	11%
Financial Ratios:													
Average Common Shares	1,157	1,243	1,302	1,193	1,249	1,307	1,203	1,289	1,307	1,227	1,287	1,314	2%
Fully Diluted Shares	1,384	1,386	1,389	1,372	1,404	1,387	1,376	1,398	1,385	1,379	1,392	1,383	-1%
Effective Tax Rate	-148%	55%	0%	59%	44%	62%	74%	45%	63%	58%	41%	48%	0%
EBITDA Breakdown:													
Cable Networks	289	340	397	341	398	458	302	361	418	344	430	507	18%
Publishing	104	113	136	195	215	245	132	148	170	256	284	307	6%
Music	105	106	100	106	116	116	111	98	105	214	203	218	7%
Filmed Entertainment	146	495	177%	199	241	236	282	274	274	240	233	246	5%
WB Network	(38)	(41)	(31)	(23)	(30)	(20)	(16)	(24)	(15)	(15)	3	8	161%
Cable	612	585	698	663	1,378	1,088	623	1,097	786	660	1,653	742	-55%
Time Warner Digital Media													0%
Interest Elimination	(35)	12	(8)	(8)	1	(20)	(33)	(23)	(20)	(18)	(17)	(20)	40%
Total EBITDA	1,183	1,520	1,479	1,473	2,320	1,644	1,407	1,931	1,586	1,681	2,790	1,953	-30%
Adjusted for Non-Recurring Items:													
EBITDA (after Digital Media losses)	931	1,026	1,143	1,081	1,243	1,316	1,072	1,154	1,231	1,341	1,474	1,591	7%
EBITDA (after Digital Media losses) (gross)	1,169	1,305	1,461	1,403	1,549	1,644	1,388	1,466	1,586	1,683	1,800	1,953	9%

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

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