Exhibit 1

America Online and Time Warner Will Merge to Create World's First Internet-Age Media and Communications Company

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AOL Time Warner Will Be Premier Global Company
Delivering Branded Information, Entertainment and Communications
Across Rapidly Converging Media Platforms and Changing Technology
Will Provide Far-Reaching Benefits to Consumers
By Speeding Growth of Interactive Medium
Will Accelerate Availability of Broadband Interactive Services
Offering Vast Array of World-Class Content
Will Drive Growth of Advertising and E-Commerce
Across Unmatched Combination of Leading Brands
Companies Also Announce New Marketing,
Commerce, Content and Promotional Agreements
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DULLES, Va. and NEW YORK, Jan. 10 /PRNewswire/ -- America Online, Inc. (NYSE: AOL) and Time Warner Inc. (NYSE: TWX) today announced a strategic merger of equals to create the world's first fully integrated media and communications company for the Internet Century in an all-stock combination valued at $350 billion.

To be named AOL Time Warner Inc. with combined revenues of over $30 billion, this unique new enterprise will be the premier global company delivering branded information, entertainment and communications services across rapidly converging media platforms.

The merger will combine Time Warner's vast array of world-class media, entertainment and news brands and its technologically advanced broadband delivery systems with America Online's extensive Internet franchises, technology and infrastructure, including the world's premier consumer online brands, the largest community in cyberspace, and unmatched e-commerce capabilities. AOL Time Warner's unparalleled resources of creative and journalistic talent, technology assets and expertise, and management experience will enable the new company to dramatically enhance consumers' access to the broadest selection of high-quality content and interactive services.

By merging the world's leading Internet and media companies, AOL Time Warner will be uniquely positioned to speed the development of the interactive medium and the growth of all its businesses. The new company will provide an important new broadband distribution platform for America Online's interactive services and drive subscriber growth through cross-marketing with Time Warner's pre-eminent brands.

AOL Time Warner's brands will include AOL, Time, CNN, CompuServe, Warner Bros., Netscape, Sports Illustrated, People, HBO, ICQ, AOL Instant Messenger, AOL MovieFone, TBS, TNT, Cartoon Network, Digital City, Warner Music Group, Spinner, Winamp, Fortune, AOL.COM, Entertainment Weekly, and Looney Tunes. In addition to fully integrating its brands into a digital environment and bringing them closer to consumers, AOL Time Warner will have a wealth of creative resources to develop products specifically suited to interactive media.

Under the terms of a definitive merger agreement approved by unanimous votes at meetings of each company's board of directors, Time Warner and America Online stock will be converted to AOL Time Warner stock at fixed exchange ratios. The Time Warner shareholders will receive 1.5 shares of AOL Time Warner for each share of Time Warner stock they own. America Online shareholders will receive one share of AOL Time Warner stock for each share of America Online stock they own. The merger will be effected on a tax-free basis to shareholders. When complete, America Online's shareholders will own approximately 55% and Time Warner's shareholders will own approximately 45% of the new company. The stock will be traded under the symbol AOL on the New York Stock Exchange.

The merger will be accounted for as a purchase transaction and is expected to be accretive to America Online's cash earnings per share before the amortization of goodwill. This transaction is subject to certain closing conditions, including regulatory approvals and the approval of **America Online** and **Time Warner** shareholders, and is expected to close by the end of the year. Mr. Ted Turner, Vice Chairman of Time Warner, has agreed to vote his Time Warner shares, representing approximately 9% of the company's outstanding common stock, in favor of the merger.

Steve Case, Chairman and Chief Executive Officer of America Online, will become Chairman of the Board of the new company. Gerald M. Levin, Time Warner's Chairman and Chief Executive Officer, will become AOL Time Warner's Chief Executive Officer. As Chairman, Mr. Case will play an active role in helping to build and lead AOL Time Warner, focusing particularly on the technological developments and policy initiatives driving the global expansion of the interactive medium. As Chief Executive Officer, Mr. Levin will set the company's strategy, working closely with Mr. Case, and will oversee the management of the company. Mr. Levin will report to the board consisting of 16 members, with eight appointed by each of the current **America Online** and **Time Warner** boards.

Mr. Turner will become Vice Chairman of AOL Time Warner. Time Warner President Richard Parsons and America Online President and Chief Operating Officer Bob Pittman will be co-Chief Operating Officers of AOL Time Warner. J. Michael Kelly, Senior Vice President and Chief Financial Officer of America Online, will become the new company's Chief Financial Officer and Executive Vice President. A four-person integration committee, composed of Messrs. Pittman; Parsons; Kenneth J. Novack, America Online's Vice Chairman; and Richard Bressler, Chairman and Chief Executive Officer of Time Warner Digital Media, has been formed to ensure a smooth and rapid combination of the two companies. The Committee will make its recommendations to Messrs. Case and Levin. Messrs. Parsons, Pittman and Kelly will report to Mr. Levin.

Building a New Medium for the New Millennium

Mr. Case said: "This is an historic moment in which new media has truly come of age. We've always said that America Online's mission is to make the Internet as central to people's lives as the telephone and television, and even more valuable, and this is a once-in-a-lifetime opportunity to turn this promise into reality. We're kicking off the new century with a unique new company that has unparalleled assets and the ability to have a profoundly positive impact on society. By joining forces with Time Warner, we will fundamentally change the way people get information, communicate with others, buy products and are entertained -- providing far-reaching benefits to our customers and shareholders.

Mr. Case added: "We have tremendous respect for Jerry Levin and Time Warner management, who have built the world's pre-eminent media company and have fostered an entrepreneurial culture that will mesh well with our own. Time Warner is the first major media company to not only recognize, but also fully embrace the interactive medium. I look forward to working with them to build the most valued and respected company in the world. By mobilizing the combined creative energies and extraordinary management talent of both companies, we will bring customers around the world an unmatched array of interactive services, with enriched multi-media content and e-commerce opportunities."

Mr. Levin said: "This strategic combination with AOL accelerates the digital transformation of Time Warner by giving our creative and content businesses the widest possible canvas. The digital revolution has already begun to create unprecedented and instantaneous access to every form of media and to unleash immense possibilities for economic growth, human understanding and creative expression. AOL Time Warner will lead this transformation, improving the lives of consumers worldwide."

Mr. Levin added: "I look forward to partnering with Steve Case -- a visionary leader of the Internet - and his impressive management team. The opportunities are limitless for everyone connected to AOL Time Warner -- shareholders, consumers, advertisers, the creative and talented people who drive our success, and the global audiences we serve."

Mr. Pittman said: "The value of this merger lies not only in what it is today but in what it will be in the future. We believe that AOL Time Warner will provide companies worldwide with a convenient, one-stop way to put advertising and commerce online as well as take advantage of the best in traditional marketing. We will accelerate the development of Time Warner's cable broadband assets by bringing AOL's hallmark ease-of-use to this platform. We expect America Online to help drive the growth of cable broadband audiences, and we will use our combined infrastructure and cross-promotional strengths to enhance the growth and development of both **America Online** and **Time Warner** brands around the world."

Mr. Parsons said: "This is a defining event for Time Warner and America Online as well as a pivotal moment in the unfolding of the Internet age. By joining the resources and talents of these two highly creative companies, we can accelerate the development and deployment of a whole new generation of interactive services and content. The heightened competition and expanded choices this will bring about will be of great benefit to consumers. For the creative and innovative people who are the lifeblood of our companies, it means a truly exciting range of new opportunities to explore and give shape to. For our shareholders, it means we'll be able to grow in ways we couldn't have as separate companies, producing superior returns in both the short and long term."

New Marketing, Commerce, Content and Promotional Agreements

Separate from the merger transaction, **America Online** and **Time Warner** also announced new marketing, commerce, content and promotional agreements that will immediately expand various relationships already in place between the two companies. These include: -- The AOL service will feature Time Warner's popular InStyle magazine, expanding on the popular content Time Warner already offers AOL members from People, Teen People, Entertainment Weekly and other content currently on the service.
-- CNN.com and Entertaindom.com programming will be featured prominently on various America Online services.
-- AOL members will have access to a wide range of Time Warner promotional music clips from Time Warner's unparalleled selection of popular artists.
-- Time Warner and AOL MovieFone will participate in online-offline cross-promotion of Time Warner movies and related content, including
live events.
-- Broadband CNN news content will be distributed on AOL Plus, the rich media content offering designed for AOL members connecting via
broadband, when it launches this spring.
-- Time Warner will offer a number of special offers exclusively for AOL members, which will include everything from discounts on magazine

subscriptions to premium cable subscriptions and movie passes.
-- Building on the companies' current offline cross-promotional activities, including keywords on popular magazines like People and
Teen People, Time Warner will dramatically expand cross-promotion of AOL in a number of their top offline media properties.
-- The popular Warner Bros. retail stores will promote the AOL service, including through the in-store distribution of AOL disks.
-- Time Warner will include AOL disks in promotional mailings and product shipments.
-- America Online will make available on Road Runner popular America Online brands and products, including AOL Instant Messenger, Digital
City, AOL Search and AOL MovieFone.

The companies also said, with respect to broadband access, that AOL Time Warner will be committed to ensuring consumer choice of ISPs and content and that they hope this merger will persuade all companies operating broadband platforms to provide consumers with real choice.

Combination Creates Full Range of Growth Opportunities

In addition to today's announcements, **America Online** and **Time Warner** will have many other opportunities to combine their assets to create unique new expanded services to drive increased consumer usage, and marketing and promotion capabilities to fuel rapid growth for their shareholders and employees. These, among others, include: Music: The combination of Time Warner's prestigious music labels and
roster of established stars and new artists with America Online's online marketing and e-commerce capacities will create powerful music destinations. Entertainment: America Online's AOL TV and MovieFone combined with Time Warner's cable networks and Warner Bros. movies and television will provide valuable programming, growing number of consumers seeking to access the Internet at high speeds via cable modem, DSL, wireless or satellite. News: AOL Time Warner will continue to enhance its online news offering with the world's most recognized and respected news media, including CNN, Time, and local all-news channels such as NY1 News. Technology: AOL Time Warner will be able to develop and leverage technology across all of the businesses, creating new opportunities to expand services and share infrastructure. Telephony: For businesses and consumers, AOL Time Warner will offer a major communications platform that combines America Online's popular instant messaging products with Time Warner's ability to offer local telephony over cable.

About America Online, Inc.

Founded in 1985, America Online, Inc., based in Dulles, Virginia, is the world's leader in interactive services, Web brands, Internet technologies, and e-commerce services. America Online, Inc. operates: two worldwide Internet services, America Online, with more than 20 million members, and CompuServe, with more than 2.2 million members; several leading Internet brands including ICQ, AOL Instant Messenger and Digital City, Inc.; the Netscape Netcenter and AOL.COM portals; the Netscape Navigator and Communicator browsers; AOL MovieFone, the nation's # 1 movie listing guide and ticketing service; and Spinner Networks and NullSoft, Inc., leaders in Internet music. Through its strategic alliance with Sun Microsystems, the company develops and offers easy-to-deploy, end-to-end e-commerce and enterprise solutions for companies operating in the Net Economy.

About Time Warner Inc.

Time Warner Inc. (NYSE: TWX, www.timewarner.com) is the world's leading media company. Its businesses: cable networks, publishing, music, filmed entertainment, cable and digital media.

This release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements in this release address the following subjects: expected date of closing the merger; future financial and operating results; and timing and benefits of the merger. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the risk that the America Online's and Time Warner's businesses will not be integrated successfully; costs related to the merger; failure of the **America Online** or **Time Warner** stockholders to approve the merger; inability to obtain, or meet conditions imposed for, governmental approvals for the merger; inability to further identify, develop and achieve commercial success for new products, services and technologies; increased competition and its effects on pricing, spending, third-party relationships, the subscriber base and revenues; inability to establish and maintain relationships with commerce, advertising, marketing, technology and content providers; risk of accepting warrants in certain agreements; risks of new and changing regulation in the U.S. and internationally.

For a detailed discussion of these and other cautionary statements, please refer to America Online's filings with the Securities and Exchange Commission, especially in the "Forward-Looking Statements" section of the Management's Discussion and Analysis section of the Company's Form 10-K for the fiscal year ended June 30, 1999 and the Risk Factors section of the Company's S-3 filing that became effective in November 1999, and Time Warner's filings with the Securities and Exchange Commission, including the section titled "Caution Concerning Forward-Looking Statements" of the Management's Discussion and Analysis in its Form 10-K for the year ended December 31, 1998.

/NOTE TO EDITORS: An audio feed of the **America Online/Time Warner** press conference at 11 am EST Monday, January 10, 2000 will be available to the media by calling 888-469-1386 (US) or 712-271-0747 (international) -- Password: AOL. Webcasts of the press conference will be available at http://www.corp.aol.com/cgi/announce.html and http://www.timewarner.com A live satellite feed will begin Monday at 6:45 am EST. At 6:45 am, logos and b-roll of both companies will be broadcast until approximately 10:45 am EST. At that time, live coverage of the press conference including the question-and-answer session will begin. After the live broadcast, the companies' logos and b-roll, as well as selected highlights of the press conference, will be re-broadcast./

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Exhibit 2

AOL buys Time Warner for $142 billion
By SETH SUTEL
AP Business Writer

01/10/2000
Associated Press Newswires
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NEW YORK (AP) - You've got mail. And movies. And music. And magazines.

In the most dramatic instance yet of new media supplanting old media, **America Online** is buying **Time Warner**, the largest media and entertainment conglomerate in the world, for $142 billion.

The deal would be the biggest corporate merger of all time as well as an aggressive bet that online delivery of media is the wave of the future.

"This merger will launch the next Internet revolution," said Steve Case, **America Online**'s chairman and chief executive, told a news conference Monday. "We're still just scratching the surface."

Case will be chairman of the new company, which will be called AOL **Time Warner** Inc. and headquartered in New York. **Time Warner** chairman Gerald Levin will be its chief executive. Ted Turner, who owns 9 percent of **Time Warner**, will retain his title of vice chairman.

America Online shareholders will own 55 percent of the company, and **Time Warner** shareholders the rest. AOL **Time Warner**'s brands would include AOL, CompuServe, CNN, Time, Netscape, TBS, TNT, Cartoon Network, HBO, Warner Music Group, Fortune, Sports Illustrated, Entertainment Weekly and Looney Tunes.

The deal values **Time Warner** at about $108 a share, a rich premium over its price of $64.75 a share before Monday. **Time Warner** shares soared 39 percent on news of the deal, climbing $25.31 1/4 to $90.06 1/4 a share on the New York Stock Exchange. AOL shares fell $1.75 to $72.

Analysts expect competing Internet and entertainment companies to seek similar deals in hopes of keeping pace with AOL and **Time Warner**, and some of those stocks also got a lift Monday. Disney jumped $4.81 1/4 to $35.93 3/4 and News Corp. rose $7.31 1/4 to 45.06 1/4 on the NYSE. Lycos leaped $9 to $79.75 and Yahoo! climbed $28.81 1/4 to $436.06 1/4 on the Nasdaq Stock Market.

The deal marks a major turning point in the media industry, highlighting the massive power and value that Internet companies like AOL have built up in a relatively short time.

America Online, based in Dulles, Va., has more than four times the net profit of **Time Warner**, earning $762 million in the fiscal year that ended June 30, even though **Time Warner**'s revenues of $26.8 billion dwarf AOL's $4.8 billion.

In combining the leading Internet company with the leading traditional media company, the deal also shows that new media and old media need each other more than ever before.

AOL needed access not only to **Time Warner**'s media content machine - which produces films, music, TV shows and magazines - but also to **Time Warner**'s large network of cable TV lines, which is second only to AT&T's and reaches 20 percent of U.S. households.

Time Warner, like other major media companies, has been in the middle of a major effort to reinvent its own Internet strategy. Last year it set aside $500 million to invest in Internet opportunities.

With the AOL deal, **Time Warner** acquired an online platform of 22 million subscribers - including CompuServe customers - for delivering its content to computer users, a goal it has had for some time. "This really completes the digital transformation of **Time Warner**," Levin said. "These two companies are a natural fit."

At a news conference announcing the deal, Levin deliberately blurred the lines on the question of which company was the "old media" and which was the "new" one. Dressed in khaki pants, an open-collar shirt and sports coat while all the AOL executives wore suits, Levin opened his remarks by saying: "It's a great pleasure to welcome the suits from Virginia to New York."

Levin stressed the point that **Time Warner** itself was the product of a series of large mergers, and Case said the experience in integrating disparate companies was a major factor that drew him to the **Time Warner** management team.

New York-based **Time Warner** was formed 10 years ago, combining the entertainment company that grew out of Warner Bros. movie studio with Time Inc., whose flagship magazine Time was founded in 1923 by Henry Luce. **Time Warner** bought Turner's cable company TBS in 1996, which added the all-news channel CNN to **Time Warner**'s cable lineup of HBO and Cinemax.

AOL has been no stranger to deals since being formed in 1985. Last year it acquired Netscape Communications and MovieFone, and it also bought online competitor CompuServe the year before that.

Painfully aware that telephone dialup connections are far too slow to provide the kind of online services like TV, movies and music that people want, AOL has been on a campaign to force cable providers to open up access to their lines, which can provide much faster access than phone lines. Consumer groups now fear that with AOL set to own a major cable provider, it may ease up on its efforts to ensure "open access."

The transaction would surpass the biggest proposed takeover before Monday, the $129 billion hostile bid for German telecommunications company Mannesmann by Britain's Vodafone, the world's largest mobile phone company.

Coming just four months after the latest blockbuster media merger, the proposed combination of CBS Corp. and Viacom Inc., the AOL-**Time Warner** deal also raised concerns from consumer groups and lawmakers about the increasing consolidation of ownership among major media companies.

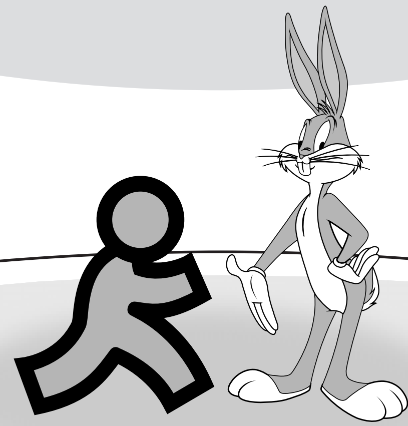
Sen. Mike DeWine, chairman of the antitrust subcommittee, said the deal "raises a whole host of competition and public policy issues."

"Is this merger the effective beginning of the end of the Internet as an effective counterweight to traditional media outlets, or is this just another step on the road to making the Internet a more useful and viable source of information?" said DeWine, a Republican from Ohio.

Several consumer advocacy groups, including the Consumers Union and the Center for Media Education, released a joint statement saying, "Consumers do not want to be beholden to a giant media-Internet dictatorship, even if it promises to be a benevolent one."

Case said the company remains committed to providing consumers with as many choices as possible, and predicted that the deal would lead several new companies to offer Internet access.

Case said he first approached Levin about a possible combination in October. The fact that no advance word leaked out about the discussions, he said, was a sign that the new executive team likes and trusts each other.



AOL Time Warner Merger

Joint Proxy Statement – Prospectus

Notice of Special Stockholder Meetings

Time Warner Stockholder Meeting June 23, 2000 New York, New York	America Online Stockholder Meeting June 23, 2000 Vienna, Virginia

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present (1) selected historical financial data of America Online, (2) selected historical financial data of Time Warner and (3) selected unaudited pro forma consolidated financial data of AOL Time Warner, which reflect the merger.

AMERICA ONLINE

Selected Historical Financial Data

The selected historical financial data of America Online has been derived from the audited historical consolidated financial statements and related notes of America Online for each of the years in the five-year period ended June 30, 1999 and the unaudited consolidated financial statements for the nine months ended March 31, 2000 and 1999, and have been adjusted to reflect the two-for-one common stock split in November 1999. The historical data is only a summary, and you should read it in conjunction with the historical financial statements and related notes contained in the annual and quarterly reports of America Online which have been incorporated by reference into this joint proxy statement-prospectus.

	Nine Months Ended March 31,		Year Ended June 30,				
	2000	1999	1999	1998	1997	1996	1995
			(in millions, except per share data)				
Statement of Operations Data:							
Revenues	$4,924	$3,400	$4,777	$3,091	$2,197	$1,323	$ 425
Business segment operating income (loss)[1]	1,034	299	529	(63)	(132)	(151)	(85)
Interest and other, net	533	608	638	30	10	5	3
Net income (loss)	910	602	762	(74)	(171)	(202)	(106)
Net income (loss) per share							
Basic	$ 0.40	$ 0.29	$ 0.37	$ (0.04)	$ (0.10)	$ (0.13)	$(0.09)
Diluted	$ 0.35	$ 0.24	$ 0.30	$ (0.04)	$ (0.10)	$ (0.13)	$(0.09)
Average common shares:							
Basic	2,255	2,044	2,081	1,850	1,676	1,501	1,175
Diluted	2,593	2,531	2,555	1,850	1,676	1,501	1,175

(1) Business segment operating income (loss) reflects income (loss) from operations adjusted to exclude corporate related expenses.

	March 31, 2000	June 30, 1999	1998	1997	1996	1995
		(in millions)				
Balance Sheet Data:						
Cash and equivalents	$2,655	$ 887	$ 677	$ 191	$177	$63
Total assets	10,789	5,348	2,874	1,501	957	382
Debt due within one year	13	6	2	2	3	3
Long-term debt	1,625	358	372	52	22	21
Stockholders' equity	6,419	3,033	996	610	393	165

Significant Events Affecting America Online's Operating Trends. The comparability of America Online's operating results is affected by a number of significant and nonrecurring items recognized in some periods. For the nine months ended March 31, 2000, America Online incurred a special charge of $5 million related to a merger and gains of $386 million related to investments. In fiscal 1999, America Online incurred special charges of $95 million related to mergers and a restructuring, $25 million in transition costs and a net gain of $567 million related to the sale of investments in Excite, Inc. In fiscal 1998, America Online incurred special charges of $94 million for acquired in-process research and development, $17 million related to settlements and $75 million related to a merger and restructuring. In fiscal 1997, America Online incurred special charges of $49 million related to a restructuring, $24 million for contract terminations, $24 million for a legal settlement and $9 million related to acquired in-process research and development. In fiscal 1996, America Online incurred special charges of $17 million for acquired in-process research and development, $8 million in merger related costs and $8 million for the settlement of a class action lawsuit. In fiscal 1995, America Online incurred special charges of $2 million for merger related costs and $50 million for acquired in-process research and development.

To assess meaningfully underlying operating trends from period to period, America Online's management believes that the results of operations for each period should be analyzed after excluding the effects of these significant nonrecurring items. Where noted, the following summary adjusts America Online's historical operating results to exclude the impact of these unusual items. However, unusual items may occur in any period. Accordingly, investors and other financial statement users should consider the types of events and transactions for which adjustments have been made.

	Nine Months Ended March 31,		Year Ended June 30,				
	2000	1999	1999	1998	1997	1996	1995
			(in millions)				
Other selected data:							
Cash provided by operating activities	$1,313	$929	$ 1,099	$ 437	$ 131	$ 2	$ 18
Cash (used in) provided by investing activities	(1,116)	273	(1,776)	(531)	(367)	(261)	(104)
Cash provided by financing activities	1,571	802	887	580	250	373	89
Business segment operating income (as adjusted)	1,039	404	649	123	(26)	(126)	(33)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (as adjusted)[1]	1,234	557	866	265	24	(106)	(29)

(1) EBITDA is defined as net income plus: (a) provision/(benefit) for income taxes, (b) interest, (c) depreciation and amortization and (d) special items. America Online considers EBITDA to be an important indicator of the operational strength and performance of its business, including its ability to provide cash flows to service its debt and fund capital expenditures. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of America Online's performance, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles. In addition, this definition of EBITDA may not be comparable to similarly titled measures reported by other companies.

Ratio of Earnings to Combined Fixed Charges and Preferred Dividends

The following table sets forth the ratio of earnings to combined fixed charges and preferred dividends for the nine months ended March 31, 2000 and for each of the last five fiscal years.

	Nine Months Ended March 31, 2000	Year Ended June 30, 1999	1998	1997	1996	1995
Ratio of earnings to combined fixed charges and preferred dividends	10.13x	7.72x	0.25x	—	—	—

For purposes of computing the ratio of earnings to combined fixed charges and preferred dividends, earnings represent earnings from continuing operations before income taxes plus interest expense on indebtedness, amortization of debt discount and the portion of rent expense deemed representative of an interest factor. Fixed charges include interest on indebtedness (whether expensed or capitalized), amortization of debt discount and the portion of rent expense deemed representative of an interest factor. For the years ended June 30, 1997, 1996 and 1995, the deficiency of earnings to combined fixed charges and preferred dividends totaled $106 million, $151 million and $87 million, respectively.

TIME WARNER

Selected Historical Financial Data

The selected historical financial data of Time Warner has been derived from the audited historical consolidated financial statements and related notes of Time Warner for each of the years in the five-year period ended December 31, 1999 and the unaudited consolidated financial statements for the three months ended March 31, 2000 and 1999. The historical data is only a summary, and you should read it in conjunction with the historical financial statements and related notes contained in the annual and quarterly reports of Time Warner which have been incorporated by reference into this joint proxy statement-prospectus. Certain reclassifications have been made to conform to Time Warner's 2000 financial statement presentation.

The selected historical financial data for 1999 reflects the consolidation of TWE and its related companies, retroactive to the beginning of 1999. We refer to TWE and its related companies as the ''entertainment group.'' The selected historical financial data for all prior periods has not been changed. However, in order to enhance comparability, pro forma financial data for 1998 reflects the consolidation of the entertainment group. In addition, selected historical financial data of the entertainment group is included elsewhere in this joint proxy statement-prospectus to facilitate an analysis of Time Warner's results of operations and financial condition for all prior periods in which the entertainment group was not consolidated.

The selected historical financial data for 1998 reflects:

- the transfer of cable television systems (or interests therein) serving approximately 650,000 subscribers that were formerly owned by subsidiaries of Time Warner to the TWE-Advance Newhouse Partnership, subject to approximately $1 billion of debt, in exchange for common and preferred interests in the partnership, as well as related transactions, which we refer to as the ''TWE-A/N Transfers''; and
- the redemption of Time Warner's series M preferred stock at an aggregate cost of approximately $2.1 billion, using proceeds from the issuance of lower-cost debt.

The selected historical financial data for 1996 reflects:

- the use of approximately $1.55 billion of net proceeds from the issuance of Time Warner's series M preferred stock to reduce outstanding indebtedness; and
- the acquisitions of Turner Broadcasting System, Inc. and Cablevision Industries Corporation and related companies, resulting in:
  - the issuance of an aggregate 6.3 million shares of Time Warner preferred stock having a total liquidation preference of $633 million and 365.4 million shares of Time Warner common stock; and
  - the assumption or incurrence of approximately $4.8 billion of indebtedness.

The selected historical financial data for 1995 reflects:

- Time Warner's acquisitions of KBLCOM Incorporated and Summit Communications Group, Inc.; and
- the exchange by Toshiba Corporation and ITOCHU Corporation of their direct and indirect interests in TWE, resulting in:

- the issuance of an aggregate 29.3 million shares of Time Warner preferred stock having a total liquidation preference of $2.926 billion and 5.2 million shares of Time Warner common stock; and
- the assumption or incurrence of approximately $1.3 billion of indebtedness.

Per common share amounts and average common shares give effect to the two-for-one common stock split that occurred on December 15, 1998.

Statements of Operations and Cash Flows Data:

	Three Months Ended March 31,		Years Ended December 31,					
	2000 Historical	1999 Historical	1999 Historical	1998 Pro Forma	1998 Historical	1997 Historical	1996 Historical	1995 Historical
			(in millions, except per share amounts)					
Revenues	$ 6,549	$ 6,091	$ 27,333	$ 26,244	$ 14,582	$ 13,294	$10,064	$8,067
Business segment operating income	841	935	6,051	3,122	1,486	1,241	897	619
Equity in pretax income of entertainment group	—	—	—	—	356	686	290	256
Interest and other, net	(808)	(506)	(1,913)	(2,040)	(1,118)	(943)	(1,033)	(788)
Income (loss) before extraordinary item	(96)	138	1,960	168	168	301	(156)	(124)
Net income (loss)	(96)	138	1,948	168	168	246	(191)	(166)
Net income (loss) applicable to common shares (after preferred dividends)	(101)	120	1,896	(372)	(372)	(73)	(448)	(218)
Per share of common stock:								
Basic net income (loss)	$ (0.08)	$ 0.10	$ 1.50	$ (0.31)	$ (0.31)	$ (0.06)	$ (0.52)	$(0.28)
Diluted net income (loss)	$ (0.08)	$ 0.10	$ 1.42	$ (0.31)	$ (0.31)	$ (0.06)	$ (0.52)	$(0.28)
Dividends	$ 0.045	$ 0.045	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.18
Average common shares:								
Basic	1,301.5	1,243.1	1,267.0	1,194.7	1,194.7	1,135.4	862.4	767.6
Diluted	1,301.5	1,243.1	1,398.3	1,194.7	1,194.7	1,135.4	862.4	767.6
Cash provided by operations	399	816	3,953	3,408	1,845	1,408	253	1,051
Cash provided (used) by investing activities	(660)	(389)	(1,930)	(908)	353	(45)	(424)	(271)
Cash provided (used) by financing activities	(175)	(248)	(1,181)	(2,938)	(2,401)	(1,232)	(500)	123
EBITDA[1]	$ 1,479	$ 1,520	$ 8,561	$ 5,738	$ 2,645	$ 2,516	$ 1,866	$1,159

[1] EBITDA consists of business segment operating income (loss) before depreciation and amortization. Time Warner considers EBITDA to be an important indicator of the operational strength and performance of its businesses, including the ability to provide cash flows to service debt and fund capital expenditures. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of Time Warner, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles. In addition, this definition of EBITDA may not be comparable to similarly titled measures reported by other companies.

Significant Events Affecting Time Warner's Operating Trends. The comparability of Time Warner's operating results is affected by a number of significant and nonrecurring items recognized in some periods.

For the three months ended March 31, 2000, these items included:

- net pretax gains of $28 million relating to the sale or exchange of certain cable television systems and investments;

- a noncash pretax charge of approximately $220 million relating to the write-down of Time Warner's carrying value of its investment in The Columbia House Company, a 50%-owned equity investee; and
- one-time transaction costs of approximately $46 million relating to Time Warner's proposed merger with America Online.

For the three months ended March 31, 1999, those items included a net pretax gain of approximately $215 million relating to the early termination and settlement of a long-term, home video distribution agreement.

For the full year 1999, these items included:

- net pretax gains of approximately $2.247 billion relating to the sale or exchange of cable television systems and investments;
- a pretax gain of approximately $115 million relating to the initial public offering of a 20% interest in Time Warner Telecom Inc., an integrated communications provider that provides a wide range of telephony and data services to businesses;
- an approximate $215 million net pretax gain recognized in connection with the early termination and settlement of a long-term, home video distribution agreement;
- an approximate $97 million pretax gain recognized in connection with the sale of an interest in CanalSatellite, a satellite television platform serving France and Monaco;
- a noncash pretax charge of approximately $106 million relating to Warner Bros.'s retail stores; and
- an extraordinary loss of approximately $12 million on the retirement of debt.

For 1998, significant and nonrecurring items included:

- net pretax gains of approximately $108 million relating to the sale or exchange of cable television systems and investments;
- a pretax charge of approximately $210 million principally to reduce the carrying value of an interest in Primestar, Inc.; and
- an increase in preferred dividend requirements of approximately $234 million relating to the premium paid in connection with Time Warner's redemption of its series M preferred stock.

For 1997, significant and nonrecurring items included:

- net pretax gains of approximately $212 million relating to the sale or exchange of cable television systems and investments;
- a pretax gain of approximately $200 million relating to the disposal of an interest in Hasbro, Inc. and the related redemption of certain mandatorily redeemable preferred securities of a subsidiary;
- a pretax gain of approximately $250 million relating to the sale of an interest in E! Entertainment Television, Inc.; and
- an extraordinary loss of approximately $55 million on the retirement of debt.

For 1996, significant and nonrecurring items included an extraordinary loss of approximately $35 million on the retirement of debt.

For 1995, significant and nonrecurring items included:

- pretax losses of approximately $85 million relating to certain businesses and joint ventures owned by Time Warner's music division that were either restructured or closed; and
- an extraordinary loss of approximately $42 million on the retirement of debt.

To assess meaningfully underlying operating trends from period to period, Time Warner's management believes that the results of operations for each period should be analyzed after excluding the effects of these significant nonrecurring items. The following summary adjusts Time Warner's historical operating results to exclude the impact of these unusual items. However, unusual items may occur in any period. Accordingly, investors and other financial statement users individually should consider the types of events and transactions for which adjustments have been made.

	Three Months Ended March 31,		Years Ended December 31,					
	2000 Historical	1999 Historical	1999 Historical	1998 Pro Forma	1998 Historical	1997 Historical	1996 Historical	1995 Historical
	(in millions, except per share amounts)							
Adjusted business segment operating income	$ 813	$ 720	$3,598	$3,014	$1,468	$1,229	$ 897	$ 704
Adjusted EBITDA	1,451	1,305	6,108	5,630	2,627	2,504	1,866	1,244

Balance Sheet Data:

	March 31, 2000 Historical	December 31, 1999 Historical	1998 Pro Forma	1998 Historical	1997 Historical	1996 Historical	1995 Historical
	(in millions)						
Cash and equivalents	$ 848	$ 1,284	$ 529	$ 442	$ 645	$ 514	$ 1,185
Total assets	50,213	51,239	47,951	31,640	34,163	35,064	22,132
Debt due within one year	22	22	25	19	8	11	34
Long-term debt and other obligations[(1)]	19,554	19,901	19,190	12,395	12,941	14,150	10,856
Series M preferred stock	—	—	—	—	1,857	1,672	—
Shareholders' equity:							
Preferred stock liquidation preference	540	840	2,260	2,260	3,539	3,559	2,994
Equity applicable to common stock	9,724	8,873	6,592	6,592	5,817	5,943	673
Total shareholders' equity	10,264	9,713	8,852	8,852	9,356	9,502	3,667
Total capitalization	29,840	29,636	28,067	21,266	24,162	25,335	14,557

(1) Long-term debt and other obligations include borrowings against future stock option proceeds and mandatorily redeemable preferred securities of subsidiaries.

AOL TIME WARNER INC.

PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

Year Ended June 30, 1999
(in millions, except per share amounts, unaudited)

	AOL(d)	Time Warner(h)	Pro Forma Adjustments(f)	AOL Time Warner Pro Forma
Revenues	$ 4,777	$ 26,482	$ —	$ 31,259
Cost of revenues[1]	(2,657)	(14,638)	—	(17,295)
Selling, general and administrative[1]	(1,431)	(7,162)	—	(8,593)
Amortization of goodwill and other intangible assets	(65)	(1,272)	(7,055)	(8,392)
Gain on sale or exchange of cable systems and investments	—	795	—	795
Gain on early termination of video distribution agreement	—	215	—	215
Merger, restructuring and other charges	(95)	—	—	(95)
Business segment operating income (loss)(g)	529	4,420	(7,055)	(2,106)
Interest and other, net	638	(2,040)	—	(1,402)
Corporate expenses	(71)	(164)	—	(235)
Minority interest	—	(485)	—	(485)
Income (loss) before income taxes	1,096	1,731	(7,055)	(4,228)
Income tax benefit (provision)	(334)	(871)	1,520	315
Net income (loss)	762	860	(5,535)	(3,913)
Preferred dividend requirements	—	(416)	—	(416)
Net income (loss) applicable to common shares	$ 762	$ 444	$(5,535)	$ (4,329)
Net income (loss) per common share:				
Basic	$ 0.37	$ 0.36		$ (1.10)
Diluted	$ 0.30	$ 0.36		$ (1.10)
Average common shares:				
Basic	2,081	1,231		3,928
Diluted	2,555	1,231		3,928

[1] Includes depreciation expense of:	$ 233	$ 1,230	$ —	$ 1,463

See accompanying notes.

NOTES TO THE PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (unaudited)

(d) Reflects the historical operating results of America Online for the nine months ended March 31, 2000 and the year ended June 30, 1999. Outstanding share and per share information for America Online have been restated to reflect a 2-for-1 common stock split which occurred in November 1999. Finally, various reclassifications have been made to conform to AOL Time Warner's combined financial statement presentation.

(e) Reflects the historical operating results of Time Warner for the nine months ended March 31, 2000, including various reclassifications that have been made to conform to AOL Time Warner's combined financial statement presentation.

(f) Pro forma adjustments to record the merger for the nine months ended March 31, 2000 and the year ended June 30, 1999 reflect:

- increases of $5.691 billion and $7.588 billion, respectively, in amortization of goodwill and other intangible assets relating to the amortization of the excess of the purchase price to acquire Time Warner over the book value of its net assets acquired, which has been allocated to goodwill and other intangible assets, and are each amortized on a straight-line basis over a twenty-five year weighted-average period;
- decreases of $413 million and $533 million, respectively, in amortization of goodwill and other intangible assets relating to the elimination of Time Warner's amortization of pre-existing goodwill; and
- increases of $1.140 billion and $1.520 billion, respectively, in income tax benefits, provided at a 40% tax rate, on the aggregate pro forma reduction in pretax income before goodwill amortization.

In addition, pro forma net income (loss) per common share has been adjusted to reflect the issuance of additional shares of AOL Time Warner common stock in the merger, based on Time Warner's historical weighted average shares outstanding for the periods presented and an exchange ratio of 1.5 to 1. Because the effect of stock options and other convertible securities would be antidilutive to AOL Time Warner, dilutive per share amounts on a pro forma basis are the same as basic per share amounts.

(g) EBITDA consists of business segment operating income (loss) before depreciation and amortization. AOL Time Warner considers EBITDA an important indicator of the operational strength and performance of its businesses, including the ability to provide cash flows to service debt and fund capital expenditures. EBITDA, however, should not be considered an alternative to operating or net income as an indicator of the performance of AOL Time Warner, or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles. This definition of EBITDA may not be comparable to similarly titled measures reported by other companies.

Pro forma EBITDA for AOL Time Warner includes a number of significant and nonrecurring items. Set forth below for each period is a reconciliation of pro forma EBITDA to a normalized measure of pro forma EBITDA that excludes the effect of the significant and nonrecurring items.

	Nine Months Ended March 31, 2000	Year Ended June 30, 1999
	(in millions)	
Pro forma EBITDA	$7,500	$7,749
Increase in pro forma EBITDA	$1,490	$ 890
Adjusted EBITDA	$6,010	$6,859

See Selected Historical Financial Data elsewhere in this joint proxy statement-prospectus for further references.