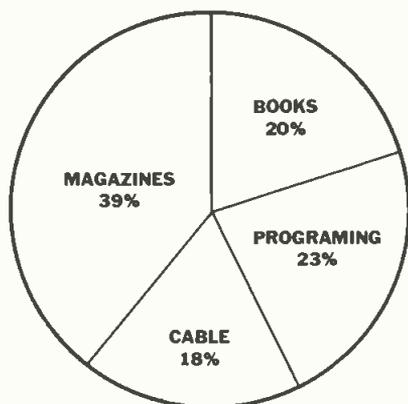


# What They Bring to the Party

1988 Product, Revenue Breakdowns

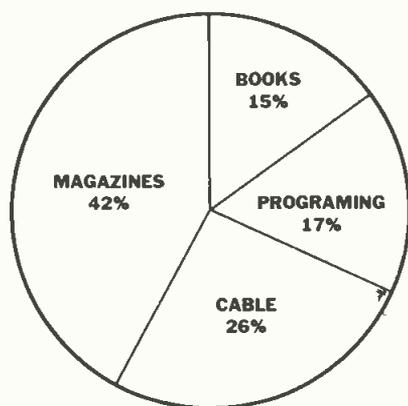
## Time Revenue

\$4,507,000,000



## Time Operating Income

\$653,000,000



### Cable:

American Television and Communications (82% owned), 3,305,000 subscribers, and Paragon Communications (50% owned), 735,000 subscribers\*.

### Programing:

Home Box Office, 16,500,000 subscribers\*; Cinemax, 6,500,000 subscribers\*, and HBO Video.

### Magazines:

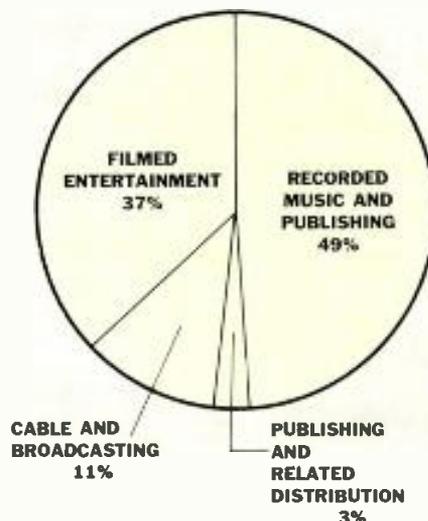
Including Time, Sports Illustrated, People, Fortune, Money, Life, etc. Majority owned magazines: Including McCall's, Parenting, Working Woman, etc. Whittle Communications and other joint ventures (50%).

### Books:

Time-Life Books; Scott, Foresman & Co.; Book-of-the-Month Club, and Little Brown and Co., etc.

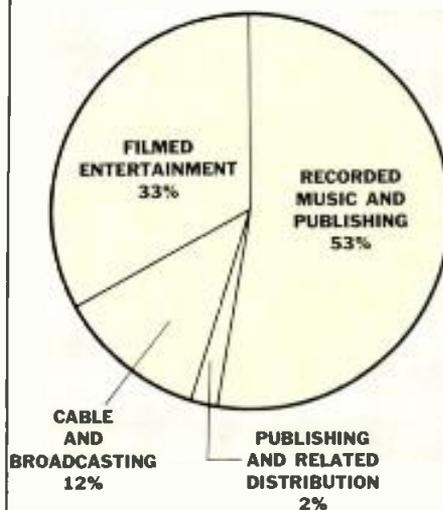
## Warner Revenue

\$4,206,100,000\*\*



## Warner Operating Income

\$607,500,000\*\*



### Cable and Broadcasting:

Cable: Warner Cable Communications, 1,500,000 subscribers. Broadcasting\*\*\*: 42% owner of BHC (which owns 100% of KCOP-TV Los Angeles and KPTV-TV Portland, Ore., and 50% of group owner United Television).

### Filmed Entertainment:

Warner Bros. Theatrical Production and Distribution; Warner Bros. Television Production and Distribution; Lorimar Television Production; Licensing Corp. of America, etc.

### Recorded Music and Publishing:

Warner Bros. Records, Atlantic Records, Elektra Entertainment, Warner Chappel Music, etc.

### Publishing and Related Distribution:

Warner Books, DC Comic; Mad Magazine, etc.

parties are prone to other bids and to the speculation that another company will interrupt the agreement. In heavy trading last Tuesday (March 7), Time's stock leapt up \$9.25 in heavy trading to close at \$116.25 on rumors—all unconfirmed—that various third parties, including global competitors Bertelsmann A.G. and Rupert Murdoch's News Corp., were close to announcing a bid.

One reason for the spotlight on Time is the substantial discount at which it trades compared to its estimated private-market asset value. In the past 52 weeks, the company has traded as low as \$84.125 per share and—on takeover speculation last October—as high as \$122.50. Analysts value the company's assets as high as \$230 per share.

But observers were doubtful that the companies are in play. McAlpine distinguished the current situation from the case of RJR Nabisco, which was purchased by KKR in a leveraged buyout after the management of the company tried to take it private. "That was a case where the company put itself up for sale," McAlpine said. "Both companies have said here that they're not for sale." If a company in the publishing business tried to buy Time, he said, that company would have a difficult time getting antitrust approval. If a corporate raider attempted a leveraged buyout of Time, said the arbitrageur, Time would use its status as an "American icon" to fight the attack "as viciously as possible."

By last Friday, Time's stock had retreated from its Tuesday levels, and then surged forward again. On Friday, the company was trading at \$115.625, while Warner's stock was trading at \$48.50, or 41.9% of Time's price. The Friday before the merger announcement was made, Time's stock price closed at \$109.125, while Warner's stock closed at \$45.875, or 41.9% of Time's price.

In what a Warner spokesman called a "statement of intent," Time and Warner have a definitive agreement to exchange blocks of their stock before the merger is completed. Time Inc. would exchange 7.1 million shares, or 12.5% of its outstanding common stock, for 17.3 million shares of Warner, or 12% of its common stock outstanding.

Chris-Craft Industries, which holds 17% of Warner stock and is Warner's largest shareholder, gave no indication last week of whether it found provisions of the proposed merger objectionable. Chris-Craft delayed the merger of Warner and Lorimar Telepictures for several months through a shareholder suit. Both Time and Warner have already been targeted by other shareholders with lawsuits protesting the merger.

Of Time and Warner's total of 25 board members, Chris-Craft Chairman Herbert Siegel was the only one who did not approve the merger; he abstained. In the formation of Time Warner's 24-member board of directors, it has been speculated that Siegel would not be included among Warner's nominees.

The Warner spokesman said that the amount of stock that would be transferred

\*Estimate. \*\*Lorimar results not yet included. \*\*\* Broadcasting operations not reflected in revenue and have only minor impact on operating income.