Second Quarter 2012
Earnings Summary

Cautionary Statement Concerning Forward-Looking Statements

This presentation contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 regarding business strategies, market potential, future financial and operational performance and other matters. Words such as “anticipates,” “estimates,” “expects,” “projects,” “forecasts,” “intends,” “plans,” “will,” “believes” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. These forward-looking statements are based on management’s current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances. Except as required by law, we are under no obligation to, and expressly disclaim any obligation to, update or alter any forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements, including those factors discussed in detail in “Item 1A-Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011 (“Annual Report”). In addition, we operate a web services company in a highly competitive, rapidly changing and consumer- and technology-driven industry. This industry is affected by government regulation, economic, strategic, political and social conditions, consumer response to new and existing products and services, technological developments and, particularly in view of new technologies, the continued ability to protect intellectual property rights. Our actual results could differ materially from management’s expectations because of changes in such factors.

Achieving our business and financial objectives, including growth in operations and maintenance of a strong balance sheet and liquidity position, could be adversely affected by the factors discussed or referenced in “Item 1A - Risk Factors” in our Annual Report as well as, among other things: 1) changes in our plans, strategies and intentions; 2) continual decline in market valuations associated with our cash flows and revenues; 3) the impact of significant acquisitions, dispositions and other similar transactions; 4) our ability to attract and retain key employees; 5) any negative unintended consequences of cost reductions, restructuring actions or similar efforts, including with respect to any associated savings, charges or other amounts; 6) market adoption of new products and services; 7) the failure to meet earnings expectations; 8) asset impairments; 9) decreased liquidity in the capital markets; 10) our ability to access the capital markets for debt securities or bank financings; and 11) the impact of “cyber warfare” or terrorist acts and hostilities.

This presentation is not an offer to sell, or a solicitation of an offer to buy, any securities.

Non-GAAP Financial Measures: This presentation includes information regarding the historical financial performance of AOL through June 30, 2012 reflected in certain non-GAAP financial measures such as Adjusted operating income before depreciation and amortization (OIBDA) and Free Cash Flow. Reconciliations of these non-GAAP financial measures to the GAAP financial measures the Company considers most comparable are set forth herein.

Q2 Noteworthy Items

Revenue Trends

- AOL's total revenue declined 2%, its lowest rate of decline in 7 years.
- Global Advertising revenue grew 6%, its fifth consecutive quarter of year-over-year growth, reflecting:
  - 2% year-over-year global display revenue growth, compared to a 1% and 5% decline on a reported and pro-forma basis, respectively in Q1 (pro-forma includes revenue from The Huffington Post in both periods).
  - 9% year-over-year growth in combined AOL Properties Display and Third Party Network revenue, which totaled $251.3 million for the quarter.
  - 19% growth in Third Party Network revenue, its fifth consecutive quarter of year-over-year growth.
  - The lowest rate of search and contextual revenue decline in over three years of 1%, driven primarily by continued double digit growth in search revenue on AOL.com.
- Subscription revenue trends continued to improve meaningfully with a 12% decline in subscribers the lowest rate of decline in five years, while monthly average churn of 1.7% was the lowest rate of churn in seven years.

Profitability Trends

- AOL grew Adjusted OIBDA 120% year-over-year, the first quarter of year-over-year growth in 4 years.
- AOL's operating income and Adjusted OIBDA was positively impacted by $96.0 million related to income from licensing patents to Microsoft Corporation, and negatively impacted by $8.8 million of costs related to the proxy contest, $7.6 million of expenses associated with settling a state tax matter in Virginia and $5.6 million of costs related to patent sale. Excluding those items, the remaining Q2 2012 Adjusted OIBDA of $94.6 million reflects an increase of $18 million year-over-year.
- Operating income was also positively impacted by the $945.8 million gain on sale of patents (net of transaction costs) in Q2.

Product/Consumer Trends

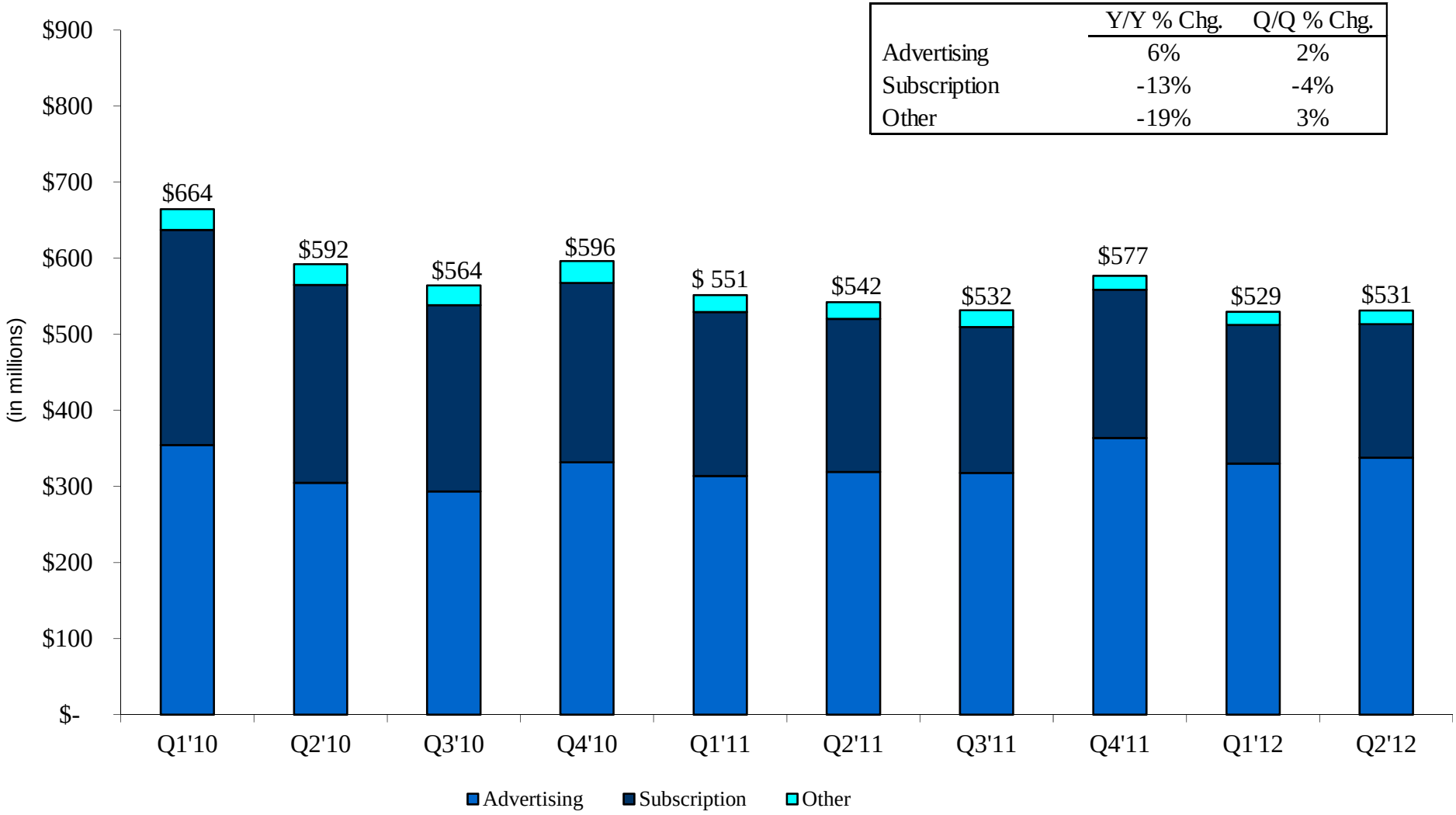
- AOL continued to make progress in key internet growth areas:
  - Video: AOL grew its videos, video views and video revenue at double-digit rates both year-over-year and quarter-over-quarter and video ad impressions grew at triple-digits year-over-year in Q2 2012.
  - Brand Advertising: The number of advertisers purchasing Project Devil ads grew at triple digits year-over-year in Q2 2012 and over 50% of Project Devil advertisers in Q1 2012 repurchased in Q2 2012.
  - Local: Patch grew traffic and engagement at double digit rates year-over-year and quarter-over-quarter, while revenue grew over 100% year-over-year in Q2 2012.
  - Traffic: Unique visitors in Q2 2012 were 112 million, growing 4% from Q1 2012 and 5% from Q4 2011.

Asset, Cash & Cash Flow Trends

- On June 15th, AOL closed its $1.056 billion patent transaction with Microsoft Corporation.
- On June 28th, AOL announced the first step in a multi-stage approach in returning 100% of the patent transaction proceeds to shareholders through a $400 million Dutch Tender offer. The tender offer expires at 5 pm New York time on August 2nd unless extended or terminated earlier.
- AOL had approximately $1.5 billion of cash at June 30, 2012. Q2 cash provided by operating activities and Free Cash Flow were $167.2 million and $136.8 million, up 52% and 77% year-over-year, respectively, benefiting primarily from the growth in operating income, driven primarily by the income from licensing of certain patents to Microsoft Corporation.

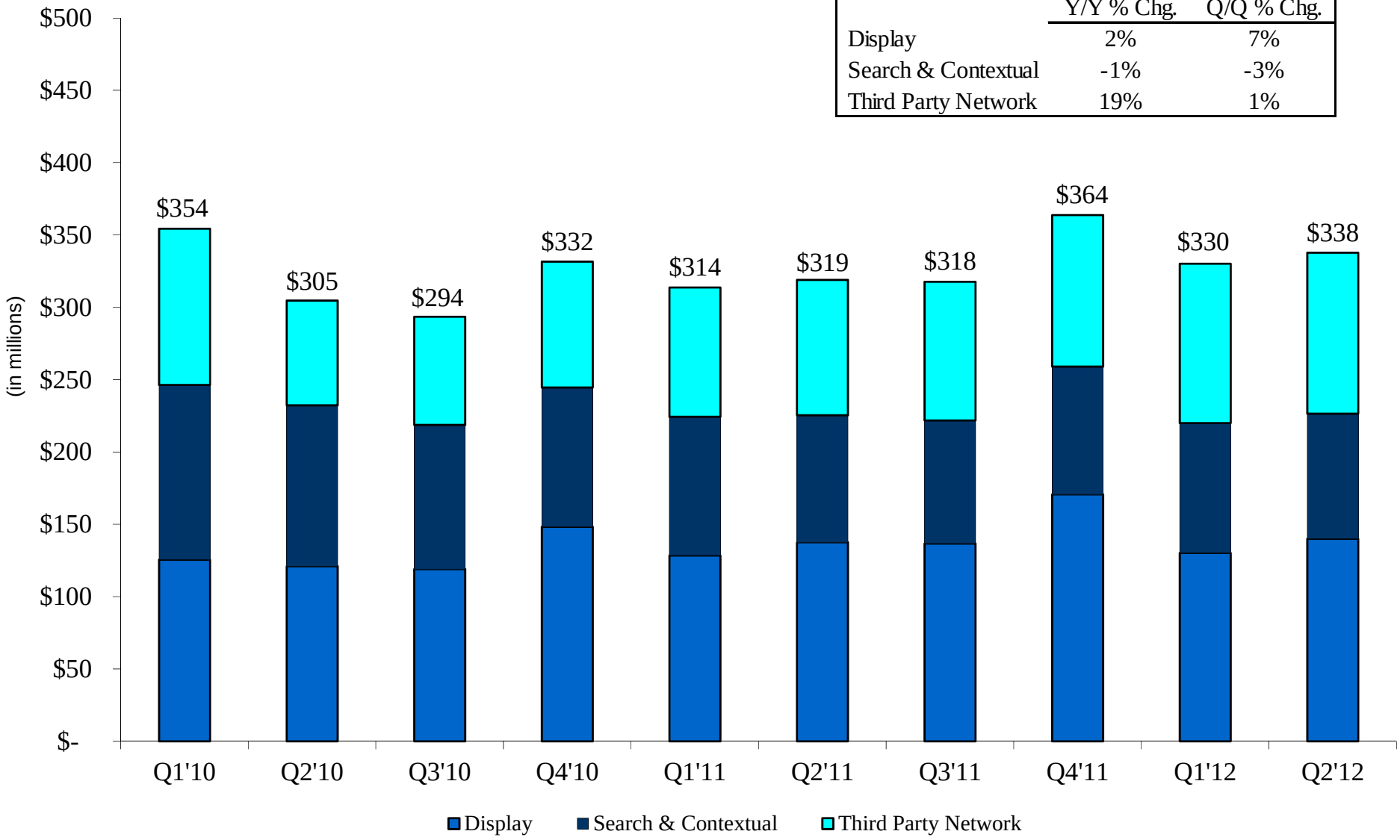
Quarterly Revenue Breakdown

	Y/Y % Chg.	Q/Q % Chg.
Advertising	6%	2%
Subscription	-13%	-4%
Other	-19%	3%

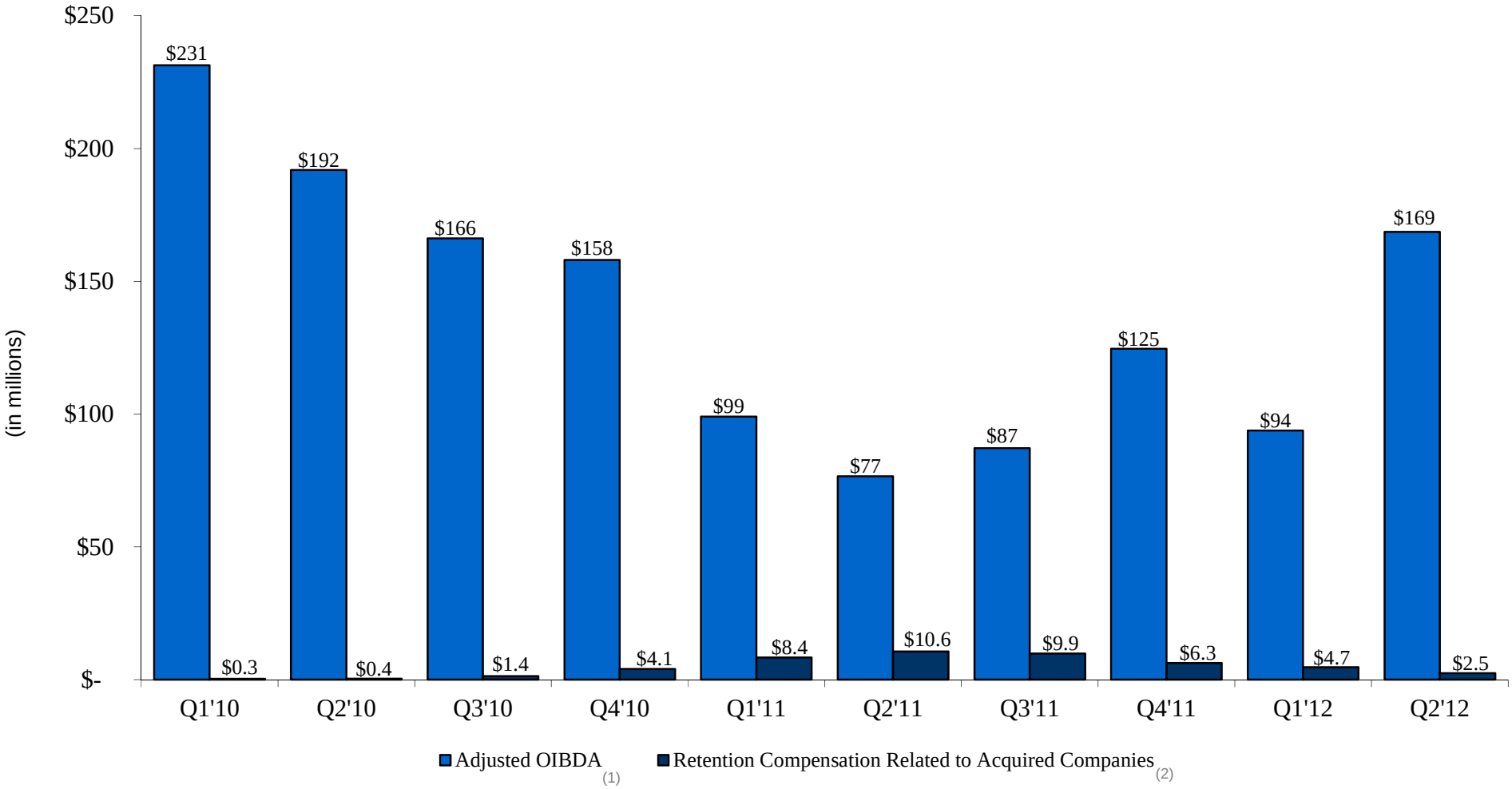


Advertising Revenue By Quarter

	Y/Y % Chg.	Q/Q % Chg.
Display	2%	7%
Search & Contextual	-1%	-3%
Third Party Network	19%	1%



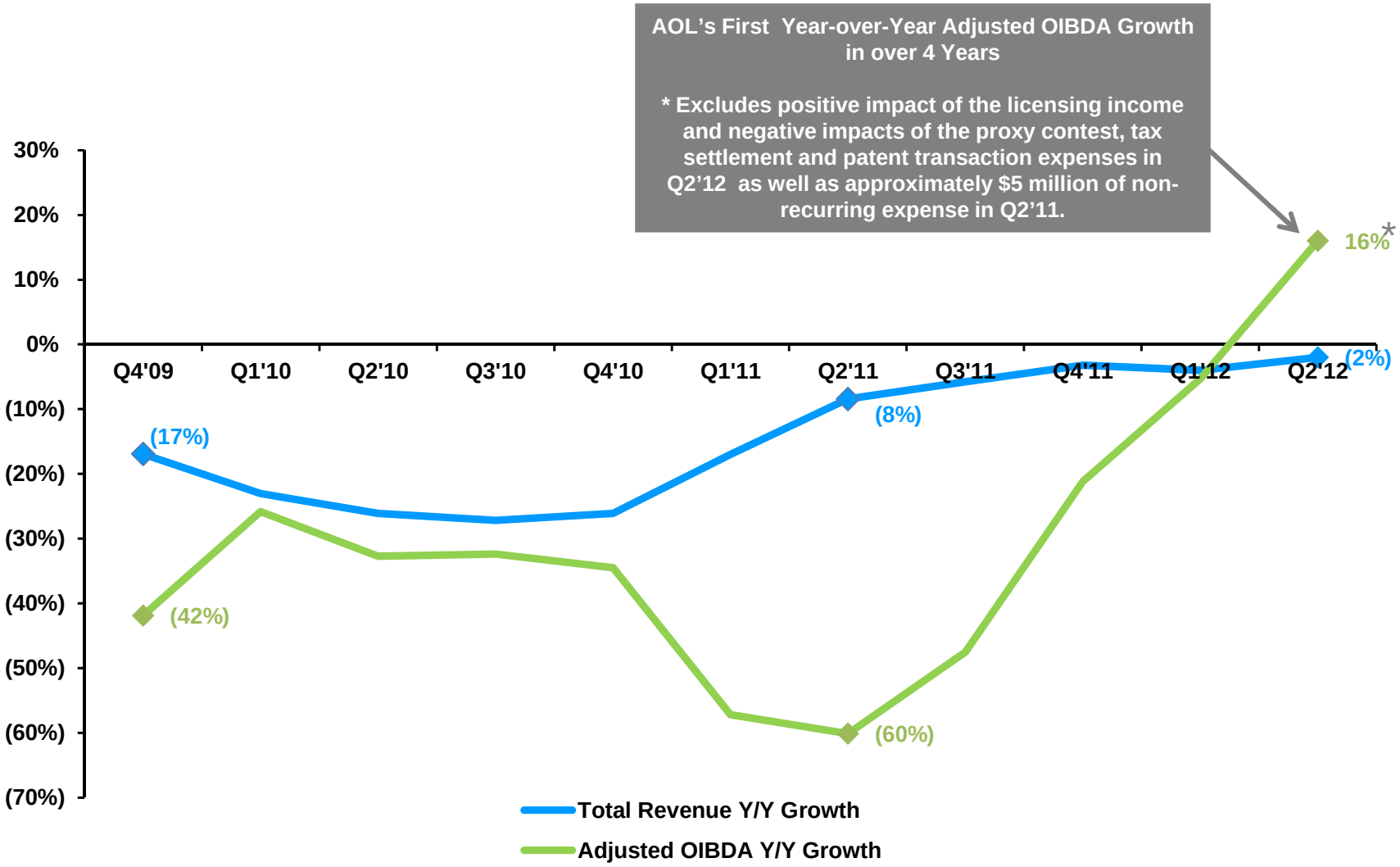
Quarterly Adj. OIBDA & Acquisition Related Retention Compensation



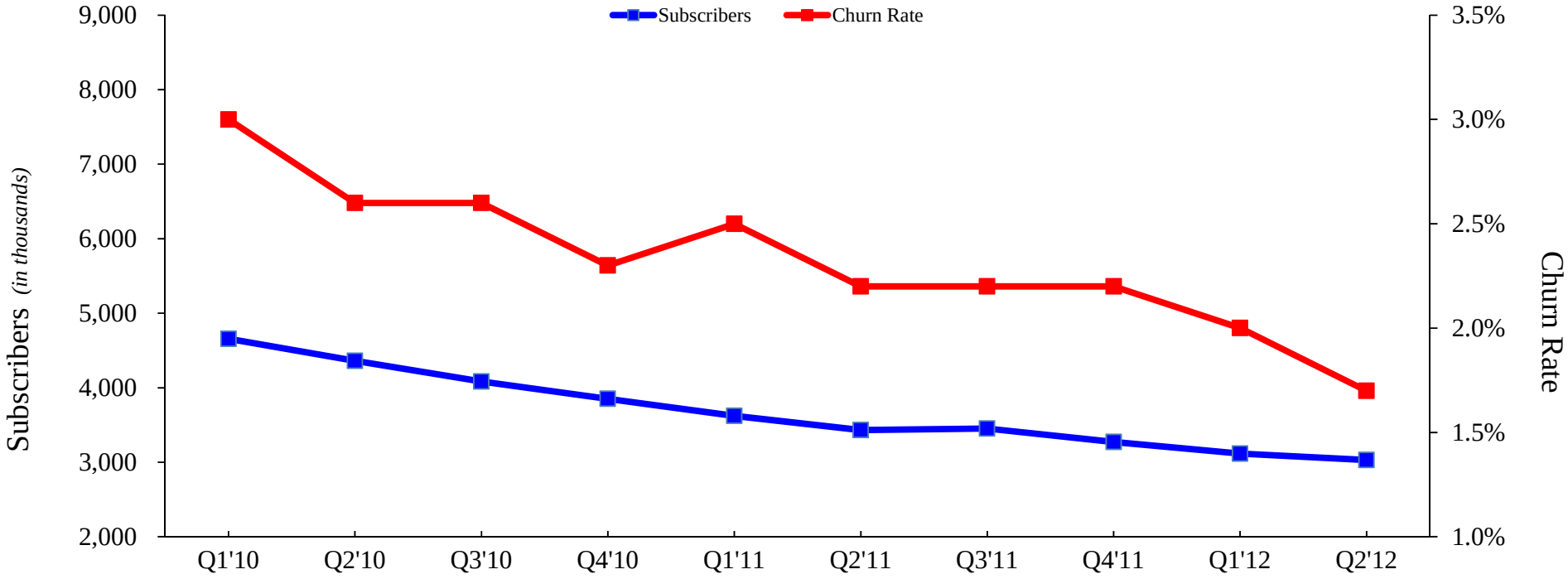
(1) Adjusted OIBDA excludes the impact of restructuring costs, non-cash equity based compensation, gains and losses on all disposals of assets (including those recorded in costs of revenues) and non-cash asset impairments and write-offs. Adjusted OIBDA includes retention compensation related to acquisitions. See page 11 for a reconciliation of Adjusted OIBDA to operating income (loss).

(2) These amounts relate to incentive cash compensation arrangements with employees of acquired companies made at the time of acquisition. Incentive compensation amounts are recorded as retention compensation expense over the future service period of the employees of the acquired companies. For tax purposes, a portion of these costs are treated as additional basis in the acquired entity and are not deductible until disposition of the acquired company.

AOL's Revenue and Adjusted OIBDA trends are improving meaningfully



Access Subscribers and Churn Rate



	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11	Q2'11	Q3'11	Q4'11	FY'11	Q1'12	Q2'12
Domestic AOL-brand access subscribers (in thousands) [1]	4,656	4,362	4,083	3,852	3,852	3,621	3,433	3,452	3,272	3,272	3,115	3,031
Y/Y % Change	*-26%*	*-25%*	*-24%*	*-23%*	*-23%*	*-22%*	*-21%*	*-15%*	*-15%*	*-15%*	*-14%*	*-12%*
Q/Q % Change	*-7%*	*-6%*	*-6%*	*-6%*		*-6%*	*-5%*	*1%*	*-5%*		*-5%*	*-3%*
Domestic average monthly subscription revenue per AOL-brand access subscriber (ARPU) [2]	$18.31	$18.10	$18.10	$18.12	$18.16	$17.96	$17.53	$17.49	$17.87	$17.71	$17.88	$17.92
Domestic AOL-brand access subscriber monthly average churn [3]	3.0%	2.6%	2.6%	2.3%	2.6%	2.5%	2.2%	2.2%	2.2%	2.3%	2.0%	1.7%

(1) Domestic AOL-brand access subscribers include subscribers participating in introductory free-trial periods and subscribers that are paying no monthly fees or reduced monthly fees through member service and retention programs. Individuals who have registered for our free offerings, including subscribers who have migrated from paid subscription plans, are not included in the AOL-brand access subscriber numbers presented above.

(2) Calculated as average monthly access subscription revenue per AOL-brand access subscriber.

(3) Churn represents the percentage of subscribers that terminate or cancel our services, factoring in new and reactivated subscribers. Monthly average churn is calculated as the monthly average number of terminations plus cancellations divided by the initial subscriber base plus any new registrations and reactivations for the applicable period.

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Unique Visitors

	Q2 2012	Q2 2011	Y/Y Change	Q1 2012	Q/Q Change
Unique Visitors (in millions) [1]					
Domestic average monthly unique visitors to AOL Properties [2]	112	113	-1%	108	4%
Domestic average monthly unique visitors to AOL Advertising Network [3]	186	183	2%	186	0%

(1) The information that we disclose regarding unique visitors is based on data provided by a third party (comScore Media Metrix, or "Media Metrix").

(2) Unique visitors to AOL Properties represent the estimated number of individuals who visited any content of a website or application owned by AOL or for which the traffic has been assigned to AOL by the owner during the applicable measurement period.

(3) Unique visitors to AOL Advertising Network includes both AOL Properties and the Third Party Network. We utilize this metric to evaluate the reach of our total advertising network.

Items Impacting Comparability

(in millions, except per share amounts)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Restructuring costs	$ 0.1	$ (0.6)	$ (7.3)	$ (28.4)
Equity-based compensation expense	(8.6)	(11.0)	(17.2)	(21.4)
Retention compensation expense related to acquired companies [1]	(2.5)	(10.6)	(7.2)	(19.0)
Costs related to proxy contest	(8.8)	–	(10.6)	–
Costs related to patent sale	(5.6)	–	(6.4)	–
Acquisition-related costs	–	(0.5)	(0.1)	(9.5)
Gain on consolidation of Ad.com Japan [2]	–	–	10.8	–
Income from licensing of intellectual property	96.0	–	96.0	–
Gain on sale of patents	945.8	–	945.8	–
Settlement of tax matters	(7.6)	–	(9.6)	
Pre-tax impact	1,008.8	(22.7)	994.2	(78.3)
Income tax impact [3]	(59.1)	6.4	(50.1)	26.1
After-tax impact	949.7	(16.3)	944.1	(52.2)
Income tax benefit related to worthless stock deduction	–	–	–	7.1
After-tax impact of items impacting comparability of net income	$ 949.7	$ (16.3)	$ 944.1	$ (45.1)
Impact per basic common share	$ 10.15	$ (0.15)	$ 10.04	$ (0.42)
Impact per diluted common share	$ 9.94	$ (0.15)	$ 9.92	$ (0.42)
Effective tax rate [4]	39.5%	39.0%	39.5%	39.0%

(1) These amounts relate to incentive cash compensation arrangements with employees of acquired companies made at the time of acquisition. Incentive compensation amounts are recorded as retention compensation expense over the future service period of the employees of the acquired companies. For tax purposes, a portion of these costs are treated as additional basis in the acquired entity and are not deductible until disposition of the acquired entity.

(2) During the three months ended March 31, 2012, AOL purchased additional interest in a joint venture, Ad.com Japan and gained control of the board and day-to-day operations of the joint venture. As a result, beginning in February 2012, AOL consolidated the results of Ad.com Japan and upon closing of the transaction, AOL recorded a non-cash gain of approximately $10.8 million related to our pre-existing investment in Ad.com Japan.

(3) The income tax impact for the gain on consolidation of Ad.com Japan, licensing of intellectual property and gain on sale of patents is calculated by using the actual tax expense for the transactions. The income tax impact for all remaining items is calculated by applying the normalized effective tax rate to deductible items. Items that are not deductible include a portion of the retention compensation expense, discussed above.

(4) For the three and six months ended June 30, 2012, the effective tax rate was calculated based on AOL's 2012 projected normalized annual effective tax rate. The effective tax rate for the three and six months ended June 30, 2011 was calculated based upon AOL's 2011 normalized annual effective tax rate.

Reconciliation of Non-GAAP Measures [1]

(in millions)	2010					2011					2012	
	Three months ended				Year ended	Three months ended				Year ended	Three Months ended	
	March 31	June 30	Sep 30	Dec 31	Dec 31	March 31	June 30	Sep 30	Dec 31	Dec 31	March 31	June 30
Adjusted operating income before depreciation and amortization (OIBDA): [2]												
Operating income (loss)	$ 80.7	$ (1,331.8)	$ 201.1	$ 67.4	$ (982.6)	$ (11.8)	$ (5.8)	$ 8.6	$ 54.8	$ 45.8	$ 31.4	$ 1,059.2
Add: Depreciation	54.3	51.9	46.9	43.2	196.3	44.4	42.4	38.3	35.8	160.9	36.1	35.2
Add: Amortization of intangible assets	62.2	35.7	22.8	24.6	145.3	24.2	26.7	22.6	18.5	92.0	9.8	9.8
Add: Restructuring costs	23.4	11.1	(0.4)	(0.3)	33.8	27.8	0.6	7.1	2.8	38.3	7.4	(0.1)
Add: Equity-based compensation	9.7	9.2	8.3	8.9	36.1	10.4	11.0	10.3	10.8	42.5	8.6	8.6
Add: Asset impairments and write-offs	1.4	1,415.9	7.8	1.4	1,426.5	1.5	2.7	0.9	2.5	7.6	0.9	1.9
Add: Losses/(gains) on disposal of assets, net	(0.4)	(0.1)	(120.3)	12.8	(108.0)	2.6	(1.0)	(0.6)	(0.6)	0.4	0.4	(946.0)
Adjusted OIBDA	$ 231.3	$ 191.9	$ 166.2	$ 158.0	$ 747.4	$ 99.1	$ 76.6	$ 87.2	$ 124.6	$ 387.5	$ 93.8	$ 168.6
Free Cash Flow: [3]												
Cash provided by continuing operations	$ 162.9	$ 159.0	$ 164.5	$ 107.1	$ 593.5	$ 4.0	$ 109.9	$ 82.5	$ 99.6	$ 296.0	$ 19.9	$ 167.2
Less: Capital expenditures and product development costs	29.5	15.8	24.7	25.9	95.9	34.2	19.7	14.0	14.4	82.3	15.0	16.7
Less: Principal payments on capital leases	8.3	8.7	9.9	10.6	37.5	11.3	13.0	12.1	12.6	49.0	14.4	13.7
Free Cash Flow	$ 125.1	$ 134.5	$ 129.9	$ 70.6	$ 460.1	$ (41.5)	$ 77.2	$ 56.4	$ 72.6	$ 164.7	$ (9.5)	$ 136.8

(1) This schedule includes the financial measures Adjusted OIBDA and Free Cash Flow, which are non-GAAP financial measures. These measures may be different than similarly-titled non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles (GAAP).

(2) We use Adjusted OIBDA as a supplemental measure of our performance. We define Adjusted OIBDA as operating income before depreciation and amortization excluding the impact of restructuring costs, non-cash equity-based compensation, gains and losses on all disposals of assets (including those recorded in costs of revenues) and non-cash asset impairments and write-offs. We consider Adjusted OIBDA to be a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business on a consistent basis across reporting periods, as it eliminates the effect of non-cash items such as depreciation of tangible assets, amortization of intangible assets that were primarily recognized in business combinations, asset impairments and write-offs, as well as the effect of restructurings and gains and losses on asset sales, which we do not believe are indicative of our core operating performance. We exclude the impacts of equity-based compensation to allow us to be more closely aligned with the industry and analyst community.

(3) We define Free Cash Flow as cash provided by continuing operations, less capital expenditures and product development costs and principal payments on capital leases. We consider Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the continuing business that, after capital expenditures and product development costs and principal payments on capital leases, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet. Analysis of Free Cash Flow also facilitates management's comparisons of our operating results to competitors' operating results.