

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

(Unaudited)

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---------------------------------------|------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (in thousands, except per share data) | | | |
| Net revenue | \$ 86,432 | \$ 140,264 | \$ 303,916 | \$ 416,762 |
| Cost of revenue | 30,710 | 53,686 | 109,018 | 165,321 |
| Gross profit | 55,722 | 86,578 | 194,898 | 251,441 |
| Operating expenses: | | | | |
| Research and development | 19,517 | 29,425 | 81,775 | 86,907 |
| Sales and marketing | 26,321 | 39,573 | 91,530 | 125,531 |
| Advertising with related party (A) | - | 7,941 | 1,065 | 22,229 |
| General and administrative | 12,640 | 13,039 | 42,151 | 55,208 |
| Impairment of goodwill | - | - | - | 175,583 |
| Restructuring and other charges | 1,080 | 877 | 11,487 | 1,671 |
| Loss on excess office facilities | 314 | - | 7,396 | - |
| Total operating expenses | 59,872 | 90,855 | 235,404 | 467,129 |
| Operating loss | (4,150) | (4,277) | (40,506) | (215,688) |
| Other income (expenses): | | | | |
| Interest income, net | 1,074 | 1,253 | 2,005 | 3,190 |
| Equity in net loss of Rhapsody and other equity method investments (B) | (6,142) | (273) | (11,569) | (1,197) |
| Gain (loss) on sale of equity investments, net | - | 604 | (50) | 809 |
| Gain on deconsolidation of Rhapsody | - | - | 10,929 | - |
| Other income (expense), net | (206) | (888) | 887 | (482) |
| Total other income (expense), net | (5,274) | 696 | 2,202 | 2,320 |
| Loss before income taxes | (9,424) | (3,581) | (38,304) | (213,368) |
| Income tax benefit (expense) | 33,947 | (686) | 37,238 | (3,445) |
| Net income (loss) | 24,523 | (4,267) | (1,066) | (216,813) |
| Net loss attributable to the noncontrolling interest in Rhapsody (C) | - | 5,787 | 2,910 | 17,868 |
| Net income (loss) attributable to common shareholders | \$ 24,523 | \$ 1,520 | \$ 1,844 | \$ (198,945) |
| Basic net income (loss) per share available to common shareholders | \$ 0.18 | \$ 0.00 | \$ 0.04 | \$ (1.50) |
| Diluted net income (loss) per share available to common shareholders | \$ 0.18 | \$ 0.00 | \$ 0.04 | \$ (1.50) |
| Shares used to compute basic net income (loss) per share available to common shareholders | 135,619 | 134,793 | 135,302 | 134,531 |
| Shares used to compute diluted net income (loss) per share available to common shareholders | 137,769 | 134,978 | 138,232 | 134,531 |

(A) Consists of advertising purchased by Rhapsody from MTV Networks (MTVN). MTVN had a 49% ownership interest in Rhapsody prior to the restructuring transactions that occurred on March 31, 2010. See note (B) for more details regarding the restructuring and the related deconsolidation.

(B) On March 31, 2010, we completed the restructuring of Rhapsody which resulted in our ownership decreasing to approximately 47.5% of the outstanding equity in Rhapsody and no longer having operating control. Since the restructuring was completed on the last day of the quarter ended March 31, 2010, our statement of operations for the first quarter includes results from Rhapsody's operations. Beginning with the quarter ended June 30, 2010, Rhapsody's revenue or other operating results are no longer consolidated within our financial statements and we are not recording any operating or other financial results for our Music segment. We now report our share of Rhapsody's income or losses as "Equity in net loss of Rhapsody and other equity method investments" in "Other income."

(C) Noncontrolling interest in Rhapsody reflects MTVN's 49% ownership share in the losses of Rhapsody prior to the restructuring transactions that occurred on March 31, 2010.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|---|-------------------------------------|------------------------------------|
| (in thousands) | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 214,895 | \$ 277,030 |
| Short-term investments | 114,330 | 107,870 |
| Trade accounts receivable, net | 42,051 | 60,937 |
| Deferred costs, current portion | 5,389 | 5,192 |
| Related party receivable - Rhapsody (A) | 874 | - |
| Prepaid expenses and other current assets | 28,905 | 30,624 |
| Total current assets | 406,444 | 481,653 |
| Equipment, software, and leasehold improvements, at cost: | | |
| Equipment and software | 145,102 | 151,951 |
| Leasehold improvements | 25,390 | 31,041 |
| Total equipment, software, and leasehold improvements | 170,492 | 182,992 |
| Less accumulated depreciation and amortization | 125,452 | 125,878 |
| Net equipment, software, and leasehold improvements | 45,040 | 57,114 |
| Restricted cash equivalents and investments | 10,000 | 13,700 |
| Equity investments | 37,730 | 19,553 |
| Other assets | 3,400 | 4,030 |
| Deferred costs, non-current portion | 17,667 | 10,182 |
| Deferred tax assets, net, non-current portion | 8,995 | 10,001 |
| Other intangible assets, net | 8,708 | 10,650 |
| Goodwill | 4,792 | - |
| Total assets | \$ 542,776 | \$ 606,883 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 23,872 | \$ 32,703 |
| Accrued and other liabilities | 84,231 | 124,934 |
| Deferred revenue, current portion | 19,867 | 31,374 |
| Related party payable - Rhapsody (B) | 684 | - |
| Related party payable - MTVN (C) | - | 11,216 |
| Accrued loss on excess office facilities, current portion | 1,203 | 3,228 |
| Total current liabilities | 129,857 | 203,455 |
| Deferred revenue, non-current portion | 575 | 1,933 |
| Accrued loss on excess office facilities, non-current portion | 3,752 | - |
| Deferred rent | 3,723 | 4,464 |
| Deferred tax liabilities, net, non-current portion | 1,150 | 961 |
| Other long-term liabilities | 5,382 | 13,006 |
| Total liabilities | 144,439 | 223,819 |
| Noncontrolling interest in Rhapsody (D) | - | 7,253 |
| Shareholders' equity | 398,337 | 375,811 |
| Total liabilities and shareholders' equity | \$ 542,776 | \$ 606,883 |

(A) Related party receivable reflects amounts Rhapsody International, formed on March 31, 2010, owes RealNetworks.

(B) Related party payable reflects amounts owed to Rhapsody International, formed on March 31, 2010.

(C) Related party payable reflects amounts owed by Rhapsody to MTVN in periods prior to the restructuring and related deconsolidation that was completed on March 31, 2010.

(D) Noncontrolling interest in Rhapsody reflects MTVN's 49% ownership interest in the net assets of Rhapsody at December 31, 2009. Due to the restructuring transactions which occurred on March 31, 2010, Rhapsody's balance sheet is no longer included within RealNetworks consolidated financial statements.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2010 | 2009 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (1,066) | \$ (216,813) |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 19,047 | 22,881 |
| Stock-based compensation | 10,280 | 15,545 |
| Loss on disposal of equipment, software, and leasehold improvements | 155 | 302 |
| Equity in net loss of Rhapsody and other investments | 11,569 | 1,197 |
| Loss (gain) on sale of equity investment, net | 50 | (809) |
| Gain on deconsolidation of Rhapsody | (10,929) | - |
| Excess tax benefit from stock option exercises | (48) | (9) |
| Impairment of goodwill | - | 175,583 |
| Accrued restructuring and other charges | 997 | (3,786) |
| Accrued loss on excess office facilities | 6,108 | - |
| Deferred income taxes, net | 80 | 545 |
| Other | 153 | 39 |
| Net change in certain operating assets and liabilities, net of acquisitions and disposals | <u>(72,874)</u> | <u>(11,167)</u> |
| Net cash (used in) provided by operating activities | <u>(36,478)</u> | <u>(16,492)</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment, software, and leasehold improvements | (11,415) | (11,445) |
| Purchases of short-term investments | (102,486) | (124,043) |
| Proceeds from sales and maturities of short-term investments | 96,026 | 93,389 |
| Proceeds from the sales of equity investments | - | 1,014 |
| Purchases of equity investments | - | (2,000) |
| Payment of acquisition costs, net of cash acquired | (5,760) | (3,324) |
| Payment in connection with the restructuring of Rhapsody | (18,000) | - |
| Repayment of temporary funding on deconsolidation of Rhapsody | 5,869 | - |
| Decrease in restricted cash equivalents and investments, net | <u>3,700</u> | <u>1,042</u> |
| Net cash provided by (used in) investing activities | <u>(32,066)</u> | <u>(45,367)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options | 1,378 | 819 |
| Payments received on MTVN note | 1,213 | 21,912 |
| Capital contribution to Rhapsody from MTVN | - | 5,000 |
| Excess tax benefit from stock option exercises | <u>48</u> | <u>9</u> |
| Net cash provided by (used in) financing activities | <u>2,639</u> | <u>27,740</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>3,770</u> | <u>5,928</u> |
| Net decrease in cash and cash equivalents | (62,135) | (28,191) |
| Cash and cash equivalents, beginning of period | <u>277,030</u> | <u>232,968</u> |
| Cash and cash equivalents, end of period | <u>\$ 214,895</u> | <u>\$ 204,777</u> |

RealNetworks, Inc. and Subsidiaries
Supplemental Financial Information
(Unaudited)

| | 2010 | | | 2009 | | | |
|--|-----------|-----------|------------|----------------|------------|------------|------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net Revenue by Line of Business: | | | | (in thousands) | | | |
| Core Products (A) | \$ 51,870 | \$ 51,742 | \$ 51,203 | \$ 64,154 | \$ 58,173 | \$ 56,346 | \$ 54,692 |
| Emerging Products (B) | 8,778 | 8,997 | 11,428 | 13,014 | 13,835 | 9,153 | 9,205 |
| Games (C) | 25,784 | 28,145 | 30,236 | 30,736 | 29,491 | 29,774 | 32,823 |
| Total net revenue excluding music | 86,432 | 88,884 | 92,867 | 107,904 | 101,499 | 95,273 | 96,720 |
| Music (D) | - | - | 35,733 | 37,598 | 38,765 | 40,452 | 44,053 |
| Total net revenue including music | \$ 86,432 | \$ 88,884 | \$ 128,600 | \$ 145,502 | \$ 140,264 | \$ 135,725 | \$ 140,773 |
| Core Products Revenue by Product: | | | | | | | |
| SaaS (E) | \$ 31,885 | \$ 32,388 | \$ 33,614 | \$ 39,399 | \$ 38,704 | \$ 35,517 | \$ 34,497 |
| Systems Integrations / Professional Services (F) | 953 | 998 | 367 | 5,040 | 818 | 3,228 | 1,088 |
| Technology Licensing (G) | 7,473 | 7,736 | 7,910 | 9,830 | 7,906 | 7,463 | 7,994 |
| Consumer subscriptions (H) | 11,559 | 10,620 | 9,312 | 9,885 | 10,745 | 10,138 | 11,113 |
| Total Core Products net revenue | \$ 51,870 | \$ 51,742 | \$ 51,203 | \$ 64,154 | \$ 58,173 | \$ 56,346 | \$ 54,692 |
| Net Revenue by Geography: | | | | | | | |
| United States | \$ 46,874 | \$ 48,351 | \$ 84,550 | \$ 91,175 | \$ 95,758 | \$ 90,685 | \$ 96,666 |
| Rest of world | 39,558 | 40,533 | 44,050 | 54,327 | 44,506 | 45,040 | 44,107 |
| Total net revenue | \$ 86,432 | \$ 88,884 | \$ 128,600 | \$ 145,502 | \$ 140,264 | \$ 135,725 | \$ 140,773 |

Product Metrics (subscribers and ICM presented as greater than):

| | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| Addressable subscribers of mobile operators under contract (I) | 700,000 | 675,000 | 650,000 | 625,000 | 575,000 | 575,000 | 550,000 |
| SaaS subscribers (J) | 37,500 | 37,600 | 37,950 | 38,850 | 37,500 | 36,300 | 33,850 |
| SaaS ARPU (in cents) (K) | \$ 0.16 | \$ 0.16 | \$ 0.16 | \$ 0.17 | \$ 0.19 | \$ 0.17 | \$ 0.17 |
| ICM delivered in billions (L) | 134 | 128 | 120 | 112 | 101 | 93 | 82 |
| Consumer subscribers(M) | 600 | 600 | 575 | 625 | 625 | 550 | 575 |

(A) The Core Products segment primarily includes revenue from SaaS services, system integration and professional services to carriers and mobile handset companies, sales of technology licenses of our software products such as Helix for handsets, and consumer subscriptions such as SuperPass and our international radio subscription services.

(B) The Emerging Products segment primarily includes revenue from RealPlayer and related products, such as revenue from distribution of third party software products, advertising on RealPlayer websites and sales of RealPlayerPlus software licenses to consumers.

(C) The Games segment primarily includes revenue from sales of games licenses, online games subscription services, advertising on game sites and social network sites, games syndication services, microtransactions from online and social games and sales of mobile games.

(D) On March 31, 2010, we completed the restructuring of Rhapsody, which resulted in our ownership decreasing to approximately 47.5% of the outstanding equity in Rhapsody, and our loss of operating control over Rhapsody. Beginning with the quarter ended June 30, 2010, Rhapsody's revenue or other operating results are no longer consolidated within our financial statements and we are not recording any operating or other financial results for our Music segment. We now report our share of Rhapsody's income or losses as "Equity in net loss of Rhapsody and other equity method investments" in Other Income.

(E) Software as a Service (SaaS) revenue includes revenue from music on demand (MOD), video on demand (VOD), ringtones, ringback tones (RBT) and intercarrier messaging services provided to network service providers, who are largely mobile phone networks.

(F) Systems Integration revenue includes professional services, other than those associated with software sales, provided to mobile carriers and handset manufacturers.

(G) Technology Licensing includes revenue from sales of software and other intellectual property licenses such as Helix server licenses and Helix software licenses for handsets.

(H) Consumer subscriptions includes revenue from SuperPass, as well as our international radio subscription services.

(I) Total subscribers reported at the end of the quarter of mobile carriers that offer one or more of our SaaS services, other than intercarrier messaging services, to their customers.

(J) Includes subscribers for our SaaS services which include RBT, MOD and VOD services, measured at the end of the quarter.

(K) Monthly SaaS ARPU (Average Revenue Per User) is calculated by dividing (a) the total quarterly revenue from SaaS subscription services, including RBT, MOD, VOD, by (b) the number of SaaS subscribers at the end of the quarter, and dividing the resulting quotient by three.

(L) The total number of intercarrier messages delivered across our messaging platform in the quarter.

(M) Primarily include subscribers to SuperPass and GamePass. We repurchased our international radio subscription services from Rhapsody as part of the restructuring that occurred on March 31, 2010, and as a result, subscribers to our international radio services are included beginning in the quarter ended June 30, 2010.

RealNetworks, Inc. and Subsidiaries
Segment Results of Operations
(Unaudited)

| | 2010 | | 2009 | 2010 | 2009 |
|--------------------------|----------------|-------------|-------------|-------------|--------------|
| | Q3 | Q2 | Q3 | YTD | YTD |
| | (in thousands) | | | | |
| Core Products | | | | | |
| Net revenue | \$ 51,870 | \$ 51,742 | \$ 58,173 | \$ 154,815 | \$ 169,211 |
| Cost of revenue | 22,230 | 18,085 | 20,250 | 58,054 | 58,007 |
| Gross profit | 29,640 | 33,657 | 37,923 | 96,761 | 111,204 |
| Gross margin | 57% | 65% | 65% | 63% | 66% |
| Operating expenses: | 19,772 | 22,508 | 23,059 | 66,366 | 118,372 |
| Operating income (loss) | \$ 9,868 | \$ 11,149 | \$ 14,864 | \$ 30,395 | \$ (7,168) |
| Adjusted EBITDA | \$ 13,309 | \$ 14,675 | \$ 18,956 | \$ 40,783 | \$ 55,603 |
| Emerging Products | | | | | |
| Net revenue | \$ 8,778 | \$ 8,997 | \$ 13,835 | \$ 29,203 | \$ 32,193 |
| Cost of revenue | 1,076 | 3,404 | 1,703 | 5,944 | 5,220 |
| Gross profit | 7,702 | 5,593 | 12,132 | 23,259 | 26,973 |
| Gross margin | 88% | 62% | 88% | 80% | 84% |
| Operating expenses: | 6,059 | 7,602 | 6,145 | 20,694 | 64,344 |
| Operating income (loss) | \$ 1,643 | \$ (2,009) | \$ 5,987 | \$ 2,565 | \$ (37,371) |
| Adjusted EBITDA | \$ 1,771 | \$ (1,732) | \$ 6,097 | \$ 3,048 | \$ 10,124 |
| Games | | | | | |
| Net revenue | \$ 25,784 | \$ 28,145 | \$ 29,491 | \$ 84,165 | \$ 92,088 |
| Cost of revenue | 6,279 | 7,228 | 7,598 | 21,210 | 24,608 |
| Gross profit | 19,505 | 20,917 | 21,893 | 62,955 | 67,480 |
| Gross margin | 76% | 74% | 74% | 75% | 73% |
| Operating expenses: | 17,092 | 20,832 | 21,604 | 60,695 | 104,516 |
| Operating income (loss) | \$ 2,413 | \$ 85 | \$ 289 | \$ 2,260 | \$ (37,036) |
| Adjusted EBITDA | \$ 2,885 | \$ 1,948 | \$ 1,187 | \$ 6,518 | \$ 6,709 |
| Music | | | | | |
| Net revenue | \$ - | \$ - | \$ 38,765 | \$ 35,733 | \$ 123,270 |
| Cost of revenue | - | - | 23,655 | 21,864 | 75,708 |
| Gross profit | - | - | 15,110 | 13,869 | 47,562 |
| Gross margin | N/A | N/A | 39% | 39% | 39% |
| Operating expenses: | - | - | 20,776 | 13,911 | 103,601 |
| Operating income (loss) | \$ - | \$ - | \$ (5,666) | \$ (42) | \$ (56,039) |
| Adjusted EBITDA | \$ - | \$ - | \$ 4,896 | \$ 4,214 | \$ 13,206 |
| Corporate | | | | | |
| Net revenue | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cost of revenue | 1,125 | 432 | 480 | 1,946 | 1,778 |
| Gross profit | (1,125) | (432) | (480) | (1,946) | (1,778) |
| Gross margin | N/A | N/A | N/A | N/A | N/A |
| Operating expenses: | 16,949 | 30,487 | 19,271 | 73,738 | 76,296 |
| Operating income (loss) | \$ (18,074) | \$ (30,919) | \$ (19,751) | \$ (75,684) | \$ (78,074) |
| Adjusted EBITDA | \$ (12,265) | \$ (14,287) | \$ (13,855) | \$ (42,534) | \$ (57,678) |
| Total | | | | | |
| Net revenue | \$ 86,432 | \$ 88,884 | \$ 140,264 | \$ 303,916 | \$ 416,762 |
| Cost of revenue | 30,710 | 29,149 | 53,686 | 109,018 | 165,321 |
| Gross profit | 55,722 | 59,735 | 86,578 | 194,898 | 251,441 |
| Gross margin | 64% | 67% | 62% | 64% | 60% |
| Operating expenses: | 59,872 | 81,429 | 90,855 | 235,404 | 467,129 |
| Operating income (loss) | \$ (4,150) | \$ (21,694) | \$ (4,277) | \$ (40,506) | \$ (215,688) |
| Adjusted EBITDA | \$ 5,700 | \$ 604 | \$ 17,281 | \$ 12,029 | \$ 27,964 |

RealNetworks, Inc. and Subsidiaries
Reconciliation of segment operating income (loss) to adjusted EBITDA by reporting segment
(Unaudited)

| | 2010 | | 2009 | 2010 | 2009 |
|--|-------------|-------------|-------------|-------------|--------------|
| | Q3 | Q2 | Q3 | YTD | YTD |
| Core Products | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA by reporting segment: | | | | | |
| Operating income (loss) | \$ 9,868 | \$ 11,149 | \$ 14,864 | \$ 30,395 | \$ (7,168) |
| Acquisitions related intangible asset amortization | 1,059 | 1,106 | 1,436 | 3,286 | 4,051 |
| Depreciation and amortization | 2,382 | 2,420 | 2,656 | 7,102 | 8,189 |
| Impairment of goodwill | - | - | - | - | 50,531 |
| Adjusted EBITDA | \$ 13,309 | \$ 14,675 | \$ 18,956 | \$ 40,783 | \$ 55,603 |
| Emerging Products | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA by reporting segment: | | | | | |
| Operating income (loss) | \$ 1,643 | \$ (2,009) | \$ 5,987 | \$ 2,565 | \$ (37,371) |
| Acquisitions related intangible asset amortization | - | - | - | - | - |
| Depreciation and amortization | 128 | 277 | 110 | 483 | 719 |
| Impairment of goodwill | - | - | - | - | 46,776 |
| Adjusted EBITDA | \$ 1,771 | \$ (1,732) | \$ 6,097 | \$ 3,048 | \$ 10,124 |
| Games | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA by reporting segment: | | | | | |
| Operating income (loss) | \$ 2,413 | \$ 85 | \$ 289 | \$ 2,260 | \$ (37,036) |
| Acquisitions related intangible asset amortization | 126 | 61 | 69 | 247 | 313 |
| Depreciation and amortization | 346 | 1,802 | 829 | 4,011 | 2,185 |
| Impairment of goodwill | - | - | - | - | 41,247 |
| Adjusted EBITDA | \$ 2,885 | \$ 1,948 | \$ 1,187 | \$ 6,518 | \$ 6,709 |
| Music | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA by reporting segment: | | | | | |
| Operating income (loss) | \$ - | \$ - | \$ (5,666) | \$ (42) | \$ (56,039) |
| Net income (loss) attributable to noncontrolling interest in Rhapsody | - | - | 5,787 | 2,910 | 17,868 |
| Acquisitions related intangible asset amortization (A) | - | - | 279 | 58 | 837 |
| Depreciation and amortization (A) | - | - | 657 | 690 | 2,218 |
| Pro forma gain on sale of interest in Rhapsody America | - | - | 3,839 | 598 | 11,293 |
| Impairment of goodwill | - | - | - | - | 37,029 |
| Adjusted EBITDA | \$ - | \$ - | \$ 4,896 | \$ 4,214 | \$ 13,206 |
| Corporate | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA by reporting segment: | | | | | |
| Operating income (loss) | \$ (18,074) | \$ (30,919) | \$ (19,751) | \$ (75,684) | \$ (78,074) |
| Other income (expense), net | (206) | 994 | (888) | 887 | (482) |
| Depreciation and amortization | 1,033 | 993 | 1,180 | 3,100 | 3,662 |
| Restructuring and other charges | 1,080 | 4,792 | 877 | 11,487 | 1,671 |
| Stock-based compensation | 3,588 | 2,771 | 4,727 | 10,280 | 15,545 |
| Loss on excess office facilities | 314 | 7,082 | - | 7,396 | - |
| Adjusted EBITDA | \$ (12,265) | \$ (14,287) | \$ (13,855) | \$ (42,534) | \$ (57,678) |
| Total | | | | | |
| Reconciliation of GAAP operating income (loss) to adjusted EBITDA: | | | | | |
| Operating income (loss) | \$ (4,150) | \$ (21,694) | \$ (4,277) | \$ (40,506) | \$ (215,688) |
| Net income (loss) attributable to noncontrolling interest in Rhapsody | - | - | 5,787 | 2,910 | 17,868 |
| Other income (expense), net | (206) | 994 | (888) | 887 | (482) |
| Acquisitions related intangible asset amortization (A) | 1,185 | 1,167 | 1,784 | 3,591 | 5,201 |
| Depreciation and amortization (A) | 3,889 | 5,492 | 5,432 | 15,386 | 16,973 |
| Impairment of goodwill | - | - | - | - | 175,583 |
| Loss on excess office facilities | 314 | 7,082 | - | 7,396 | - |
| Pro forma gain on sale of interest in Rhapsody America | - | - | 3,839 | 598 | 11,293 |
| Restructuring and other charges | 1,080 | 4,792 | 877 | 11,487 | 1,671 |
| Stock-based compensation | 3,588 | 2,771 | 4,727 | 10,280 | 15,545 |
| Adjusted EBITDA | \$ 5,700 | \$ 604 | \$ 17,281 | \$ 12,029 | \$ 27,964 |

(A) Net of noncontrolling interest effect.

RealNetworks, Inc. and Subsidiaries
Earnings Per Share Reconciliation
(Unaudited)

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---------------------------------------|---------------|------------------------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (in thousands, except per share data) | | | |
| Net income (loss) attributable to common shareholders | \$ 24,523 | \$ 1,520 | \$ 1,844 | \$ (198,945) |
| Less accretion of MTVN's preferred return in Rhapsody | - | (925) | 3,700 | (2,775) |
| Net income (loss) available to common shareholders | <u>\$ 24,523</u> | <u>\$ 595</u> | <u>\$ 5,544</u> | <u>\$ (201,720)</u> |
| Shares used to compute basic net income (loss) per share available to common shareholders | 135,619 | 134,793 | 135,302 | 134,531 |
| Dilutive potential common shares: | | | | |
| Stock options and restricted stock | <u>2,150</u> | <u>185</u> | <u>2,930</u> | <u>-</u> |
| Shares used to compute diluted net income (loss) per share available to common shareholders | 137,769 | 134,978 | 138,232 | 134,531 |
| Basic net income (loss) per share available to common shareholders | \$ 0.18 | \$ 0.00 | \$ 0.04 | \$ (1.50) |
| Diluted net income (loss) per share available to common shareholders | \$ 0.18 | \$ 0.00 | \$ 0.04 | \$ (1.50) |