

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

(Unaudited)

| | Quarters Ended | | Nine Months Ended | |
|---|---------------------------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| | (in thousands, except per share data) | | | |
| Net revenue | \$ 140,264 | \$ 151,955 | \$ 416,762 | \$ 452,166 |
| Cost of revenue | 53,686 | 62,164 | 165,321 | 173,202 |
| Gross profit | 86,578 | 89,791 | 251,441 | 278,964 |
| Operating expenses: | | | | |
| Research and development | 29,425 | 31,076 | 86,907 | 85,147 |
| Sales and marketing | 39,573 | 55,080 | 125,531 | 161,730 |
| Advertising with related party (A) | 7,941 | 15,153 | 22,229 | 31,733 |
| General and administrative | 13,039 | 15,453 | 55,208 | 50,874 |
| Impairment of goodwill | - | - | 175,583 | - |
| Restructuring and other charges | 877 | - | 1,671 | 686 |
| Total operating expenses | 90,855 | 116,762 | 467,129 | 330,170 |
| Operating loss | (4,277) | (26,971) | (215,688) | (51,206) |
| Other income (expenses): | | | | |
| Interest income, net | 1,253 | 2,865 | 3,190 | 11,198 |
| Equity in net loss of investments | (273) | (226) | (1,197) | (424) |
| Gain on sale of equity investments, net | 604 | - | 809 | 222 |
| Gain on sale of interest in Rhapsody America (B) | - | 7,405 | - | 14,502 |
| Other income (expense), net | (888) | 818 | (482) | 1,636 |
| Total other income (expense), net | 696 | 10,862 | 2,320 | 27,134 |
| Loss before income taxes | (3,581) | (16,109) | (213,368) | (24,072) |
| Income taxes | (686) | (728) | (3,445) | (8,436) |
| Net loss | (4,267) | (16,837) | (216,813) | (32,508) |
| Net loss attributable to the noncontrolling interest in Rhapsody America (C) | 5,787 | 12,337 | 17,868 | 29,129 |
| Net income (loss) attributable to common shareholders | \$ 1,520 | \$ (4,500) | \$ (198,945) | \$ (3,379) |
| Basic net income (loss) per share available to common shareholders | \$ 0.00 | \$ (0.03) | \$ (1.50) | \$ (0.02) |
| Diluted net income (loss) per share available to common shareholders | \$ 0.00 | \$ (0.03) | \$ (1.50) | \$ (0.02) |
| Shares used to compute basic net income (loss) per share available to common shareholders | 134,793 | 141,975 | 134,531 | 142,611 |
| Shares used to compute diluted net income (loss) per share available to common shareholders | 134,978 | 141,975 | 134,531 | 142,611 |

(A) Consists of advertising purchased by Rhapsody America from MTV Networks (MTVN). MTVN has a 49% ownership interest in Rhapsody America.

(B) Consists of gains realized from MTVN's note payments to Rhapsody America. Effective January 1, 2009, the Company adopted SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements, an amendment to ARB No. 51* (SFAS 160) which requires the appreciation of gains on the sale of noncontrolling interest to be recorded as an equity transaction.

(C) Noncontrolling interest in Rhapsody America reflects MTVN's 49% ownership share in the losses of Rhapsody America.

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

| | September 30, 2009 | December 31, 2008 |
|---|-------------------------------|------------------------------|
| | (in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 204,777 | \$ 232,968 |
| Short-term investments | 168,420 | 137,766 |
| Trade accounts receivable, net | 67,060 | 70,201 |
| Deferred costs, current portion | 5,383 | 4,026 |
| Prepaid expenses and other current assets | 31,388 | 34,599 |
| Total current assets | 477,028 | 479,560 |
| Equipment, software, and leasehold improvements, at cost: | | |
| Equipment and software | 147,430 | 135,788 |
| Leasehold improvements | 31,003 | 30,719 |
| Total equipment, software, and leasehold improvements | 178,433 | 166,507 |
| Less accumulated depreciation and amortization | 119,903 | 103,500 |
| Net equipment, software, and leasehold improvements | 58,530 | 63,007 |
| Restricted cash equivalents and investments | 13,700 | 14,742 |
| Equity investments | 21,768 | 18,582 |
| Other assets | 4,180 | 3,775 |
| Deferred costs, non-current portion | 8,945 | 6,120 |
| Deferred tax assets, net, non-current portion | 9,867 | 9,236 |
| Other intangible assets, net | 12,761 | 18,727 |
| Goodwill | - | 175,264 |
| Total assets | \$ 606,779 | \$ 789,013 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 39,264 | \$ 36,575 |
| Accrued and other liabilities | 111,295 | 118,688 |
| Deferred revenue, current portion | 35,812 | 39,835 |
| Related party payable (A) | 8,007 | 13,155 |
| Accrued loss on excess office facilities, current portion | 4,338 | 4,317 |
| Total current liabilities | 198,716 | 212,570 |
| Deferred revenue, non-current portion | 1,933 | 1,961 |
| Accrued loss on excess office facilities, non-current portion | - | 2,893 |
| Deferred rent | 4,534 | 4,614 |
| Deferred tax liabilities, net, non-current portion | 859 | 1,379 |
| Other long-term liabilities | 11,027 | 11,660 |
| Total liabilities | 217,069 | 235,077 |
| Noncontrolling interest in Rhapsody America (B) | 5,440 | 378 |
| Shareholders' equity | 384,270 | 553,558 |
| Total liabilities and shareholders' equity | \$ 606,779 | \$ 789,013 |

(A) Related party payable reflects amounts owed to MTVN.

(B) Noncontrolling interest in Rhapsody America reflects MTVN's 49% ownership interest in the net assets of Rhapsody America.

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

| | Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2009 | 2008 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net loss | \$ (216,813) | \$ (32,508) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 22,881 | 38,032 |
| Stock-based compensation | 15,545 | 17,475 |
| Loss on disposal of equipment, software, and leasehold improvements | 302 | 157 |
| Equity in net loss of investments | 1,197 | 198 |
| Gain on sale of equity investment, net | (809) | (222) |
| Excess tax benefit from stock option exercises | (9) | (108) |
| Impairment of goodwill | 175,583 | - |
| Accrued restructuring and other charges | (3,786) | - |
| Accrued loss on excess office facilities | (2,872) | (2,537) |
| Deferred income taxes, net | 545 | 2,640 |
| Gain on sale of interest in Rhapsody America | - | (14,502) |
| Other | 39 | 111 |
| Net change in certain operating assets and liabilities, net of acquisitions | (8,295) | (29,750) |
| Net cash used in operating activities | <u>(16,492)</u> | <u>(21,014)</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment, software, and leasehold improvements | (11,445) | (24,807) |
| Purchases of short-term investments | (124,043) | (151,378) |
| Proceeds from sales and maturities of short-term investments | 93,389 | 130,136 |
| Purchases of intangible assets | - | (1,808) |
| Proceeds from the sales of equity investments | 1,014 | 1,225 |
| Purchases of equity investments | (2,000) | (4,500) |
| Payment of acquisition costs, net of cash acquired | (3,324) | (10,192) |
| Decrease in restricted cash equivalents and investments, net | 1,042 | 776 |
| Net cash used in investing activities | <u>(45,367)</u> | <u>(60,548)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options | 819 | 8,834 |
| Payments of convertible debt obligations | - | (100,000) |
| Net proceeds from sales of interest in Rhapsody America | 26,912 | 31,640 |
| Excess tax benefit from stock option exercises | 9 | 108 |
| Repurchases of common stock | - | (23,062) |
| Net cash provided by (used in) financing activities | <u>27,740</u> | <u>(82,480)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>5,928</u> | <u>(7,512)</u> |
| Net decrease in cash and cash equivalents | (28,191) | (171,554) |
| Cash and cash equivalents, beginning of period | <u>232,968</u> | <u>476,697</u> |
| Cash and cash equivalents, end of period | <u>\$ 204,777</u> | <u>\$ 305,143</u> |

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

| | 2009 | | | 2008 | | | |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|
| | Q3 | Q2 | Q1 | Q4 (in thousands) | Q3 | Q2 | Q1 |
| Net Revenue by Line of Business: | | | | | | | |
| Consumer products and services (A) | \$ 92,836 | \$ 89,517 | \$ 97,194 | \$ 100,282 | \$ 100,322 | \$ 101,353 | \$ 96,286 |
| Technology products and solutions (B) | 47,428 | 46,208 | 43,579 | 52,362 | 51,633 | 51,295 | 51,277 |
| Total net revenue | <u>\$ 140,264</u> | <u>\$ 135,725</u> | <u>\$ 140,773</u> | <u>\$ 152,644</u> | <u>\$ 151,955</u> | <u>\$ 152,648</u> | <u>\$ 147,563</u> |
| Consumer Products and Services: | | | | | | | |
| Subscriptions (C) | \$ 52,401 | \$ 54,446 | \$ 59,052 | \$ 57,853 | \$ 57,776 | \$ 55,658 | \$ 55,193 |
| Media properties (D) | 21,001 | 14,753 | 15,536 | 18,337 | 19,946 | 23,472 | 18,702 |
| E-commerce and other (E) | 19,434 | 20,318 | 22,606 | 24,092 | 22,600 | 22,223 | 22,391 |
| Total consumer products and services revenue | <u>\$ 92,836</u> | <u>\$ 89,517</u> | <u>\$ 97,194</u> | <u>\$ 100,282</u> | <u>\$ 100,322</u> | <u>\$ 101,353</u> | <u>\$ 96,286</u> |
| Consumer Products and Services: | | | | | | | |
| Music (F) | \$ 38,765 | \$ 40,452 | \$ 44,053 | \$ 43,882 | \$ 41,591 | \$ 37,170 | \$ 38,079 |
| Media software and services (G) | 24,580 | 19,291 | 20,318 | 22,695 | 24,531 | 29,238 | 26,409 |
| Games (H) | 29,491 | 29,774 | 32,823 | 33,705 | 34,200 | 34,945 | 31,798 |
| Total consumer products and services revenue | <u>\$ 92,836</u> | <u>\$ 89,517</u> | <u>\$ 97,194</u> | <u>\$ 100,282</u> | <u>\$ 100,322</u> | <u>\$ 101,353</u> | <u>\$ 96,286</u> |
| Net Revenue by Geography: | | | | | | | |
| United States | \$ 95,758 | \$ 90,685 | \$ 96,666 | \$ 101,369 | \$ 102,363 | \$ 100,898 | \$ 99,169 |
| Rest of world | 44,506 | 45,040 | 44,107 | 51,275 | 49,592 | 51,750 | 48,394 |
| Total net revenue | <u>\$ 140,264</u> | <u>\$ 135,725</u> | <u>\$ 140,773</u> | <u>\$ 152,644</u> | <u>\$ 151,955</u> | <u>\$ 152,648</u> | <u>\$ 147,563</u> |
| Subscribers (presented as greater than) *: | | | | | | | |
| Total subscribers (I) | 38,950 | 37,700 | 36,450 | 34,100 | 32,650 | 35,000 | 32,200 |
| Technology products and solutions application services subscribers (J) | 37,500 | 36,300 | 33,850 | 31,500 | 29,950 | 32,450 | 29,500 |
| Music subscribers: | | | | | | | |
| Consumer music subscribers: | | | | | | | |
| Rhapsody subscribers | 700 | 750 | 800 | 775 | 750 | 600 | 600 |
| Radio subscribers | 75 | 75 | 1,200 | 1,225 | 1,250 | 1,225 | 1,275 |
| Total consumer music subscribers | <u>775</u> | <u>825</u> | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> | <u>1,825</u> | <u>1,875</u> |
| Technology products and solutions application services music subscribers (K) | <u>1,075</u> | <u>975</u> | <u>900</u> | <u>875</u> | <u>850</u> | <u>800</u> | <u>800</u> |
| Total Music Subscribers** | <u>1,850</u> | <u>1,800</u> | <u>2,900</u> | <u>2,875</u> | <u>2,850</u> | <u>2,625</u> | <u>2,675</u> |

* Total music subscribers includes subscribers from our technology products and solutions application subscription services, such as music-on-demand, as well as our consumer music services, such as Rhapsody and Premium Radio. Although music-on-demand subscribers are included in the technology products and solution application services subscribers and total music subscribers, these subscribers are only counted once as part of our total subscribers.

** Prior periods have been changed to reflect current period presentation. Totals may not equal due to rounding convention.

(A) Revenue is derived from consumer digital media subscription services, RealPlayer Plus and related products, sales and distribution of third party software products, content such as games and music and advertising.

(B) The Technology Products and Solutions (TPS) segment includes revenue and related costs from: sales of ringback tones, music-on-demand, video-on-demand, messaging, and information services; sales of media delivery system software, including Helix system software and related authoring and publishing tools, both directly to customers and indirectly through original equipment manufacturer channels; support and maintenance services sold to customers who purchase software products; broadcast hosting services; and consulting and professional services that are offered to customers.

(C) Revenue is derived from consumer digital media subscription services including: SuperPass, RadioPass, Rhapsody, GamePass and FunPass.

(D) Revenue is derived from advertising and through the distribution of third party products.

(E) Revenue is derived from RealPlayer Plus and related products, sales of third party software products, and content such as games and music.

(F) The Music segment primarily includes revenue and related costs from: Rhapsody America's Rhapsody and RadioPass subscription services; sales of digital music content through the Rhapsody service and the RealPlayer music store; and advertising from music websites.

(G) The Media Software and Services (MSS) segment primarily includes revenue and related costs from: the SuperPass premium subscription service; RealPlayer Plus and related products; sales and distribution of third-party software products; and all advertising other than that related directly to our Music and Games businesses.

(H) The Games segment primarily includes revenue and related costs from: the sale of individual games on our websites RealArcade.com, GameHouse.com and Zylom.com; the sales of games subscription services; advertising through our games websites; the sale of games through the syndication on partner sites, and sale of games through wireless carriers.

(I) Total subscribers include technology products and solutions application services and consumer subscription services including: ringback tones, music-on-demand, video-on-demand, Rhapsody, Rhapsody-to-Go, RadioPass, SuperPass, and GamePass.

(J) Technology products and solutions application service subscribers include: ringback tones, music-on-demand and video-on-demand.

(K) Technology products and solutions application services music subscribers include music-on-demand.

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

Reconciliation of GAAP net income (loss) attributable to common shareholders to adjusted EBITDA excluding impairments and adjusted EBITDA is as follows:

| | Quarters Ended | | | | | | |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| | September 30, 2009 | June 30, 2009 | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 |
| | (in thousands) | | | | | | |
| Net income (loss) attributable to common shareholders | \$ 1,520 | \$ (188,329) | \$ (12,136) | \$ (240,499) | \$ (4,500) | \$ (1,305) | \$ 2,426 |
| Interest income, net | (1,253) | (754) | (1,183) | (2,255) | (2,865) | (3,375) | (4,958) |
| Stock-based compensation | 4,727 | 5,596 | 5,222 | 6,056 | 5,955 | 6,031 | 5,489 |
| Loss (gain) on equity investments, net | (604) | (68) | (137) | 12 | - | (222) | - |
| Conversion of WiderThan stock options to a cash equivalent | 1 | 3 | 17 | 11 | 16 | 26 | 89 |
| Depreciation and amortization (net of noncontrolling interest effect) | 5,432 | 5,815 | 5,726 | 5,784 | 6,165 | 6,186 | 6,282 |
| Acquisitions related intangible asset amortization (net of noncontrolling interest effect) | 1,784 | 1,649 | 1,768 | 1,872 | 5,752 | 6,171 | 6,315 |
| Impairment of goodwill and long-lived assets | - | 175,583 | - | 190,347 | - | - | - |
| Impairment of deferred costs and prepaid royalties | - | - | - | 19,666 | - | - | - |
| Restructuring and other charges | 877 | - | 794 | 6,147 | - | - | 686 |
| Pro forma gain on sale of interest in Rhapsody America | 3,839 | 3,444 | 4,010 | 6,568 | - | - | - |
| Expenses related to antitrust litigation | - | - | - | 179 | 174 | 202 | 202 |
| Income taxes | 686 | 1,210 | 1,549 | 17,392 | 728 | 3,700 | 4,008 |
| Adjusted EBITDA excluding impairments | <u>\$ 17,009</u> | <u>\$ 4,149</u> | <u>\$ 5,630</u> | <u>\$ 11,280</u> | <u>\$ 11,425</u> | <u>\$ 17,414</u> | <u>\$ 20,539</u> |
| Impairments: | | | | | | | |
| Impairment of deferred costs and prepaid royalties | - | - | - | (19,666) | - | - | - |
| Restructuring and other charges | (877) | - | (794) | (6,147) | - | - | (686) |
| Adjusted EBITDA | <u>\$ 16,132</u> | <u>\$ 4,149</u> | <u>\$ 4,836</u> | <u>\$ (14,533)</u> | <u>\$ 11,425</u> | <u>\$ 17,414</u> | <u>\$ 19,853</u> |

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

| | Quarter Ended September 30, 2009 | | | | | Grand Total |
|---|----------------------------------|--------------------|----------------------|--------------------|---------------|-----------------|
| | Music ^(A) | MSS ^(B) | Games ^(C) | TPS ^(D) | Other | |
| | (in thousands) | | | | | |
| Net revenue | \$ 38,765 | \$ 24,580 | \$ 29,491 | \$ 47,428 | \$ - | \$ 140,264 |
| Cost of revenue | 23,720 | 4,090 | 7,728 | 18,148 | - | 53,686 |
| Gross profit | 15,045 | 20,490 | 21,763 | 29,280 | - | 86,578 |
| Gross margin | 39% | 83% | 74% | 62% | - | 62% |
| Operating expenses: | | | | | | |
| Advertising with related party | 7,941 | - | - | - | - | 7,941 |
| Restructuring and other charges | 312 | 139 | 258 | 168 | - | 877 |
| Other operating expenses | 16,897 | 13,110 | 26,823 | 25,367 | (160) | 82,037 |
| Total operating expenses | 25,150 | 13,249 | 27,081 | 25,535 | (160) | 90,855 |
| Income (loss) from operations | (10,105) | 7,241 | (5,318) | 3,745 | 160 | (4,277) |
| Other income (expenses): | | | | | | |
| Interest income, net | - | - | - | - | 1,253 | 1,253 |
| Equity in net loss of investments | - | - | - | - | (273) | (273) |
| Gain on sale of equity investments, net | - | - | - | - | 604 | 604 |
| Other income (expenses), net | - | - | - | - | (888) | (888) |
| Total other income (expenses), net | - | - | - | - | 696 | 696 |
| Income (loss) before income taxes | (10,105) | 7,241 | (5,318) | 3,745 | 856 | (3,581) |
| Income taxes | - | - | - | - | (686) | (686) |
| Net income (loss) | (10,105) | 7,241 | (5,318) | 3,745 | 170 | (4,267) |
| Net income (loss) attributable to noncontrolling interest in Rhapsody America | 5,787 | - | - | - | - | 5,787 |
| Net income (loss) attributable to common shareholders | <u>\$ (4,318)</u> | <u>\$ 7,241</u> | <u>\$ (5,318)</u> | <u>\$ 3,745</u> | <u>\$ 170</u> | <u>\$ 1,520</u> |

Reconciliation of segment GAAP net income (loss) attributable to common shareholders to segment adjusted EBITDA is as follows:

| | | | | | | |
|---|-----------------|-----------------|-------------------|-----------------|-------------------|------------------|
| Net income (loss) attributable to common shareholders | \$ (4,318) | \$ 7,241 | \$ (5,318) | \$ 3,745 | \$ 170 | \$ 1,520 |
| Income taxes | - | - | - | - | 686 | 686 |
| Interest income, net | - | - | - | - | (1,253) | (1,253) |
| Stock-based compensation | 560 | 732 | 1,361 | 2,074 | - | 4,727 |
| Conversion of WiderThan stock options to a cash equivalent | - | - | - | 1 | - | 1 |
| Acquisitions related intangible asset amortization ^(F) | 278 | 8 | 70 | 1,428 | - | 1,784 |
| Pro forma gain on sale of interest in Rhapsody America | 3,839 | - | - | - | - | 3,839 |
| Gain on sale of equity investments, net | - | - | - | - | (604) | (604) |
| Depreciation and amortization ^(F) | 893 | 668 | 1,150 | 2,721 | - | 5,432 |
| Adjusted EBITDA | <u>\$ 1,252</u> | <u>\$ 8,649</u> | <u>\$ (2,737)</u> | <u>\$ 9,969</u> | <u>\$ (1,001)</u> | <u>\$ 16,132</u> |

Quarter Ended September 30, 2008

| | Music ^(A) | MSS ^(B) | Games ^(C) | TPS ^(D) | Other | Grand Total |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------|--------------------|
| | (in thousands) | | | | | |
| Net revenue | \$ 41,591 | \$ 24,531 | \$ 34,200 | \$ 51,633 | \$ - | \$ 151,955 |
| Cost of revenue | 23,787 | 4,539 | 10,251 | 23,587 | - | 62,164 |
| Gross profit | 17,804 | 19,992 | 23,949 | 28,046 | - | 89,791 |
| Gross margin | 43% | 81% | 70% | 54% | - | 59% |
| Operating expenses: | | | | | | |
| Advertising with related party | 15,153 | - | - | - | - | 15,153 |
| Other operating expenses | 27,202 | 16,064 | 28,412 | 29,719 | 212 | 101,609 |
| Total operating expenses | 42,355 | 16,064 | 28,412 | 29,719 | 212 | 116,762 |
| Income (loss) from operations | (24,551) | 3,928 | (4,463) | (1,673) | (212) | (26,971) |
| Other income (expenses): | | | | | | |
| Interest income, net | - | - | - | - | 2,865 | 2,865 |
| Equity in net loss of investments | - | - | - | - | (226) | (226) |
| Gain on sale of interest in Rhapsody America ^(E) | 7,405 | - | - | - | - | 7,405 |
| Other income (expenses), net | - | - | - | - | 818 | 818 |
| Total other income (expenses), net | 7,405 | - | - | - | 3,457 | 10,862 |
| Income (loss) before income taxes | (17,146) | 3,928 | (4,463) | (1,673) | 3,245 | (16,109) |
| Income taxes | - | - | - | - | (728) | (728) |
| Net income (loss) | (17,146) | 3,928 | (4,463) | (1,673) | 2,517 | (16,837) |
| Net income (loss) attributable to noncontrolling interest in Rhapsody America | 12,337 | - | - | - | - | 12,337 |
| Net income (loss) attributable to common shareholders | <u>\$ (4,809)</u> | <u>\$ 3,928</u> | <u>\$ (4,463)</u> | <u>\$ (1,673)</u> | <u>\$ 2,517</u> | <u>\$ (4,500)</u> |

Reconciliation of segment GAAP net income (loss) attributable to common shareholders to segment adjusted EBITDA is as follows:

| | | | | | | |
|---|-------------------|-----------------|-------------------|-----------------|---------------|------------------|
| Net income (loss) attributable to common shareholders | \$ (4,809) | \$ 3,928 | \$ (4,463) | \$ (1,673) | \$ 2,517 | \$ (4,500) |
| Income taxes | - | - | - | - | 728 | 728 |
| Interest income, net | - | - | - | - | (2,865) | (2,865) |
| Stock-based compensation | 1,005 | 786 | 1,552 | 2,612 | - | 5,955 |
| Conversion of WiderThan stock options to a cash equivalent | - | - | - | 16 | - | 16 |
| Acquisitions related intangible asset amortization ^(F) | 422 | - | 611 | 4,719 | - | 5,752 |
| Depreciation and amortization ^(F) | 1,206 | 893 | 923 | 3,143 | - | 6,165 |
| Expenses related to antitrust litigation | - | - | - | - | 174 | 174 |
| Adjusted EBITDA | <u>\$ (2,176)</u> | <u>\$ 5,607</u> | <u>\$ (1,377)</u> | <u>\$ 8,817</u> | <u>\$ 554</u> | <u>\$ 11,425</u> |

Note: Cost of revenue and operating expenses of the segments shown above include costs directly attributable to those segments and an allocation of general and administrative and other common or shared costs.

(A) The Music segment primarily includes revenue and related costs from: Rhapsody America's Rhapsody and RadioPass subscription services; sales of digital music content through the Rhapsody service and the RealPlayer music store; and advertising from music websites.

(B) The Media Software and Services (MSS) segment primarily includes revenue and related costs from: the SuperPass premium subscription service; RealPlayer Plus and related products; sales and distribution of third-party software products; and all advertising other than that related directly to our Music and Games businesses.

(C) The Games segment primarily includes revenue and related costs from: the sale of individual games on our websites RealArcade.com, GameHouse.com and Zylom.com; the sales of games subscription services; advertising through our games websites; the sale of games through the syndication on partner sites, and sales of games through wireless carriers.

(D) The Technology Products and Solutions (TPS) segment includes revenue and related costs from: sales of ringback tones, music-on-demand, video-on-demand, messaging, and information services; sales of media delivery system software, including Helix system software and related authoring and publishing tools, both directly to customers and indirectly through original equipment manufacturer channels; support and maintenance services sold to customers who purchase software products; broadcast hosting services; and consulting and professional services that are offered to customers.

(E) Comprises gains realized from MTVN's note payments to Rhapsody America. Effective January 1, 2009, the Company adopted SFAS 160 which requires the appreciation of gains on the sale of non-controlling interest to be recorded as an equity transaction.

(F) Net of noncontrolling interest effect.

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

| | Quarter Ended September 30, 2009 | | | | | Adjusted |
|---|----------------------------------|--------------------------|---|---|------------------------------|------------------|
| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | |
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 53,686 | \$ (309) | \$ (540) | \$ - | \$ - | \$ 52,837 |
| Operating expenses: | | | | | | |
| Research and development | \$ 29,425 | \$ (1,788) | \$ - | \$ - | \$ - | \$ 27,637 |
| Sales and marketing | 39,573 | (1,099) | (1,244) | 1 | - | 37,231 |
| General and administrative | 13,039 | (1,531) | - | - | - | 11,508 |
| Adjusted operating expenses, net | <u>\$ 82,037</u> | <u>\$ (4,418)</u> | <u>\$ (1,244)</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 76,376</u> |

| | Quarter Ended September 30, 2008 | | | | | Adjusted |
|---|----------------------------------|--------------------------|---|---|------------------------------|------------------|
| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | |
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 62,164 | \$ (696) | \$ (1,995) | \$ (1) | \$ - | \$ 59,472 |
| Operating expenses: | | | | | | |
| Research and development | \$ 31,076 | \$ (2,247) | \$ - | \$ - | \$ - | \$ 28,829 |
| Sales and marketing | 55,080 | (1,458) | (3,757) | (3) | - | 49,862 |
| General and administrative | 15,453 | (1,554) | - | (12) | (174) | 13,713 |
| Adjusted operating expenses, net | <u>\$ 101,609</u> | <u>\$ (5,259)</u> | <u>\$ (3,757)</u> | <u>\$ (15)</u> | <u>\$ (174)</u> | <u>\$ 92,404</u> |

| | Nine Months Ended September 30, 2009 | | | | | Adjusted |
|---|--------------------------------------|--------------------------|---|---|------------------------------|-------------------|
| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | |
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 165,321 | \$ (1,302) | \$ (1,639) | \$ (1) | \$ - | \$ 162,379 |
| Operating expenses: | | | | | | |
| Research and development | \$ 86,907 | \$ (5,846) | \$ - | \$ (8) | \$ - | \$ 81,053 |
| Sales and marketing | 125,531 | (3,364) | (3,562) | (12) | - | 118,593 |
| General and administrative | 55,208 | (5,034) | - | - | - | 50,174 |
| Adjusted operating expenses, net | <u>\$ 267,646</u> | <u>\$ (14,244)</u> | <u>\$ (3,562)</u> | <u>\$ (20)</u> | <u>\$ -</u> | <u>\$ 249,820</u> |

| | Nine Months Ended September 30, 2008 | | | | | Adjusted |
|---|--------------------------------------|--------------------------|---|---|------------------------------|-------------------|
| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | |
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 173,202 | \$ (1,592) | \$ (6,592) | \$ (24) | \$ - | \$ 164,994 |
| Operating expenses: | | | | | | |
| Research and development | \$ 85,147 | \$ (6,307) | \$ - | \$ (9) | \$ - | \$ 78,831 |
| Sales and marketing | 161,730 | (4,798) | (11,646) | (31) | - | 145,255 |
| General and administrative | 50,874 | (4,778) | - | (67) | (578) | 45,451 |
| Adjusted operating expenses, net | <u>\$ 297,751</u> | <u>\$ (15,883)</u> | <u>\$ (11,646)</u> | <u>\$ (107)</u> | <u>\$ (578)</u> | <u>\$ 269,537</u> |

(A) - Net of noncontrolling interest effect.

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

| | Quarters Ended | | Nine Months Ended | |
|---|---------------------------------------|-------------------|---------------------|-------------------|
| | September 30, | | September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| | (in thousands, except per share data) | | | |
| Net income (loss) attributable to common shareholders | \$ 1,520 | \$ (4,500) | \$ (198,945) | \$ (3,379) |
| Less accretion of MTVN's preferred return in Rhapsody America | (925) | - | (2,775) | - |
| Net income (loss) available to common shareholders | <u>\$ 595</u> | <u>\$ (4,500)</u> | <u>\$ (201,720)</u> | <u>\$ (3,379)</u> |
| Shares used to compute basic net income (loss) per share available to common shareholders | 134,793 | 141,975 | 134,531 | 142,611 |
| Dilutive potential common shares: | | | | |
| Stock options and restricted stock | 185 | - | - | - |
| Convertible debt | - | - | - | - |
| Shares used to compute diluted net income (loss) per share available to common shareholders | <u>134,978</u> | <u>141,975</u> | <u>134,531</u> | <u>142,611</u> |
| Basic net income (loss) per share available to common shareholders | \$ 0.00 | \$ (0.03) | \$ (1.50) | \$ (0.02) |
| Diluted net income (loss) per share available to common shareholders | \$ 0.00 | \$ (0.03) | \$ (1.50) | \$ (0.02) |