

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

	Quarters Ended March 31,	
	2009	2008
	(in thousands, except per share data)	
Net revenue	\$ 140,773	\$ 147,563
Cost of revenue	<u>56,021</u>	<u>55,393</u>
Gross profit	<u>84,752</u>	<u>92,170</u>
Operating expenses:		
Research and development	28,559	25,006
Sales and marketing	43,685	53,596
Advertising with related party (A)	7,423	7,340
General and administrative	22,831	17,084
Restructuring and other charges	<u>794</u>	<u>686</u>
Total operating expenses	<u>103,292</u>	<u>103,712</u>
Operating loss	<u>(18,540)</u>	<u>(11,542)</u>
Other income (expenses):		
Interest income, net	1,183	4,958
Equity in net loss of investments	(655)	(91)
Gain on sale of equity investment, net	137	-
Gain on sale of interest in Rhapsody America (B)	-	3,726
Other income (expense), net	<u>855</u>	<u>768</u>
Total other income (expense), net	<u>1,520</u>	<u>9,361</u>
Loss before income taxes	(17,020)	(2,181)
Income taxes	<u>(1,549)</u>	<u>(4,008)</u>
Net loss	(18,569)	(6,189)
Net loss attributable to the noncontrolling interest in Rhapsody America (C)	<u>6,433</u>	<u>8,615</u>
Net income (loss) attributable to common shareholders	<u>\$ (12,136)</u>	<u>\$ 2,426</u>
Basic net income (loss) per share available to common shareholders	\$ (0.10)	\$ 0.02
Diluted net income (loss) per share available to common shareholders	\$ (0.10)	\$ 0.02
Shares used to compute basic net income (loss) per share available to common shareholders	134,380	142,491
Shares used to compute diluted net income (loss) per share available to common shareholders	134,380	154,736

(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)

	March 31, 2009	December 31, 2008
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 211,709	\$ 232,968
Short-term investments	164,785	137,766
Trade accounts receivable, net	61,837	70,201
Deferred costs, current portion	6,948	4,026
Prepaid expenses and other current assets	31,004	34,599
	<u>476,283</u>	<u>479,560</u>
Total current assets		
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	138,004	135,788
Leasehold improvements	30,758	30,719
Total equipment, software, and leasehold improvements	168,762	166,507
Less accumulated depreciation and amortization	107,913	103,500
	<u>60,849</u>	<u>63,007</u>
Net equipment, software, and leasehold improvements		
Restricted cash equivalents and investments	14,767	14,742
Equity investments	18,754	18,582
Other assets	3,992	3,775
Deferred costs, non-current portion	6,854	6,120
Deferred tax assets, net, non-current portion	8,980	9,236
Other intangible assets, net	15,747	18,727
Goodwill	170,618	175,264
	<u>776,844</u>	<u>789,013</u>
Total assets		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 48,540	\$ 36,575
Accrued and other liabilities	111,679	118,688
Deferred revenue, current portion	39,421	39,835
Related party payable (A)	7,598	13,155
Accrued loss on excess office facilities, current portion	4,251	4,317
	<u>211,489</u>	<u>212,570</u>
Total current liabilities		
Deferred revenue, non-current portion	2,087	1,961
Accrued loss on excess office facilities, non-current portion	1,909	2,893
Deferred rent	4,589	4,614
Deferred tax liabilities, net, non-current portion	866	1,379
Other long-term liabilities	11,521	11,660
	<u>232,461</u>	<u>235,077</u>
Total liabilities		
Noncontrolling interest in Rhapsody America (B)	5,427	378
Shareholders' equity	538,956	553,558
	<u>776,844</u>	<u>789,013</u>
Total liabilities and shareholders' equity		

(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)

	Quarters Ended
	2009
	(in thousands)
Cash flows from operating activities:	
Net income (loss) attributable to common shareholders	\$ (12,136)
Adjustments to reconcile net income (loss) attributable to common shareholders to net cash provided by (used in) operating activities:	
Depreciation and amortization	7,776
Stock-based compensation	5,222
(Gain) loss on disposal of equipment, software, and leasehold improvements	(33)
Equity in net loss of investments	655
Gain on sale of equity investment, net	(137)
Excess tax benefit from stock option exercises	(9)
Accrued restructuring and other charges	(2,951)
Accrued loss on excess office facilities	(1,050)
Deferred income taxes, net	(212)
Noncontrolling interest in Rhapsody America	(6,433)
Gain on sale of interest in Rhapsody America	-
Other	10
Net change in certain operating assets and liabilities, net of acquisitions	13,259
Net cash provided by (used in) operating activities	3,961
Cash flows from investing activities:	
Purchases of equipment, software, and leasehold improvements	(3,042)
Purchases of short-term investments	(52,415)
Proceeds from sales and maturities of short-term investments	25,396
Proceeds from the sales of equity investments	137
Purchases of equity investments	(2,000)
Payment of acquisition costs, net of cash acquired	(3,154)
Decrease in restricted cash equivalents and investments, net	(25)
Net cash provided by (used in) investing activities	(35,103)
Cash flows from financing activities:	
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	12
Net proceeds from sales of interest in Rhapsody America	12,667
Excess tax benefit from stock option exercises	9
Net cash provided by financing activities	12,688
Effect of exchange rate changes on cash and cash equivalents	(2,805)
Net increase (decrease) in cash and cash equivalents	(21,259)
Cash and cash equivalents, beginning of period	232,968
Cash and cash equivalents, end of period	\$ 211,709

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

	2009	2008			
	Q1	Q4	Q3	Q2	Q1
	(in thousands)				
Net Revenue by Line of Business:					
Consumer products and services (A)	\$ 97,194	\$ 100,282	\$ 100,322	\$ 101,353	\$ 96,286
Technology products and solutions (B)	43,579	52,362	51,633	51,295	51,277
Total net revenue	<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)	\$ 59,052	\$ 57,853	\$ 57,776	\$ 55,658	\$ 55,193
Media properties (D)	15,536	18,337	19,946	23,472	18,702
E-commerce and other (E)	22,606	24,092	22,600	22,223	22,391
Total consumer products and services revenue	<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)	\$ 44,053	\$ 43,882	\$ 41,591	\$ 37,170	\$ 38,079
Media software and services (G)	20,318	22,695	24,531	29,238	26,409
Games (H)	32,823	33,705	34,200	34,945	31,798
Total consumer products and services revenue	<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	\$ 96,666	\$ 101,369	\$ 102,363	\$ 100,898	\$ 99,169
Rest of world	44,107	51,275	49,592	51,750	48,394
Total net revenue	<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)	36,450	34,100	32,650	35,000	32,200
Technology products and solutions application services subscribers (J)	33,850	31,500	29,950	32,450	29,500
Music subscribers:					
Consumer music subscribers:					
Rhapsody subscribers	800	775	750	600	600
Radio subscribers	1,200	1,225	1,250	1,225	1,275
Total consumer music subscribers	<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)	900	875	850	800	800
Total Music Subscribers**	<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 solutions 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) Revenue is derived from carrier application services such as ringback tones and music-on-demand, media delivery system software, support and maintenance services, broadcast hosting services and consulting services.

(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) Revenue is derived from Rhapsody and RadioPass subscription services and sales of music content, advertising generated from our music and music related websites and the distribution of third party products.

(G) Revenue is derived from SuperPass subscriptions, RealPlayer Plus and related products, sales and distribution of third-party software products and advertising related to our non-game and non-music related web properties.

(H) Revenue is derived from game subscription services, sales of games, advertising generated from our games and game-related websites and the distribution of third-party products.

(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				
	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
	(in thousands)				
Net income (loss) attributable to common shareholders	\$ (12,136)	\$ (240,499)	\$ (4,500)	\$ (1,305)	\$ 2,426
Interest income, net	(1,183)	(2,255)	(2,865)	(3,375)	(4,958)
Stock-based compensation	5,222	6,056	5,955	6,031	5,489
Loss (gain) on equity investments, net	(137)	12	-	(222)	-
Conversion of WiderThan stock options to a cash equivalent	17	11	16	26	89
Depreciation and amortization (net of noncontrolling interest effect)	5,726	5,784	6,165	6,186	6,282
Acquisitions related intangible asset amortization (net of noncontrolling interest effect)	1,768	1,872	5,752	6,171	6,315
Impairment of long-lived assets (net of noncontrolling interest effect)	-	190,347	-	-	-
Impairment of deferred costs and prepaid royalties	-	19,666	-	-	-
Restructuring and other charges	794	6,147	-	-	686
Pro forma gain on sale of interest in Rhapsody America	4,010	6,568	-	-	-
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	179	174	202	202
Charitable contributions	-	-	-	-	-
Income taxes	1,549	17,392	728	3,700	4,008
Adjusted EBITDA excluding impairments	<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	(794)	(6,147)	-	-	(686)
Adjusted EBITDA	<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 March 31, 2009					Grand Total
	Music ^(A)	MSS ^(B)	Games ^(C)	TPS ^(D)	Other	
	(in thousands)					
Net revenue	\$ 44,053	\$ 20,318	\$ 32,823	\$ 43,579	\$ -	\$ 140,773
Cost of revenue	27,300	3,707	8,564	16,450	-	56,021
Gross profit	16,753	16,611	24,259	27,129	-	84,752
Gross margin	38%	82%	74%	62%	-	60%
Operating expenses:						
Advertising with related party	7,423	-	-	-	-	7,423
Restructuring and other charges	301	67	305	121	-	794
Other operating expenses	22,093	19,882	26,846	26,216	38	95,075
Total operating expenses	29,817	19,949	27,151	26,337	38	103,292
Income (loss) from operations	(13,064)	(3,338)	(2,892)	792	(38)	(18,540)
Other income (expenses):						
Interest income, net	-	-	-	-	1,183	1,183
Equity in net loss of investments	-	-	-	-	(655)	(655)
Gain on sale of equity investments, net	-	-	-	-	137	137
Gain on sale of interest in Rhapsody America ^(E)	-	-	-	-	-	-
Other income (expenses), net	-	-	-	-	855	855
Total other income (expenses), net	-	-	-	-	1,520	1,520
Income (loss) before income taxes	(13,064)	(3,338)	(2,892)	792	1,482	(17,020)
Income taxes	-	-	-	-	(1,549)	(1,549)
Net income (loss)	(13,064)	(3,338)	(2,892)	792	(67)	(18,569)
Net income (loss) attributable to noncontrolling interest in Rhapsody America	6,433	-	-	-	-	6,433
Net income (loss) attributable to common shareholders	\$ (6,631)	\$ (3,338)	\$ (2,892)	\$ 792	\$ (67)	\$ (12,136)

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	\$ (6,631)	\$ (3,338)	\$ (2,892)	\$ 792	\$ (67)	\$ (12,136)
Income taxes	-	-	-	-	1,549	1,549
Interest income, net	-	-	-	-	(1,183)	(1,183)
Stock-based compensation	865	698	1,397	2,262	-	5,222
Conversion of WiderThan stock options to a cash equivalent	-	-	-	17	-	17
Acquisitions related intangible asset amortization ^(F)	278	-	144	1,346	-	1,768
Pro forma gain on sale of interest in Rhapsody America	4,010	-	-	-	-	4,010
Gain on sale of equity investments, net	-	-	-	-	(137)	(137)
Depreciation and amortization ^(F)	1,102	819	951	2,854	-	5,726
Expenses (benefit) related to antitrust litigation:						
Income	-	-	-	-	-	-
Expenses	-	-	-	-	-	-
Charitable contributions	-	-	-	-	-	-
Adjusted EBITDA	\$ (376)	\$ (1,821)	\$ (400)	\$ 7,271	\$ 162	\$ 4,836

Quarter Ended March 31, 2008

	Music ^(A)	MSS ^(B)	Games ^(C)	TPS ^(D)	Other	Grand Total
	(in thousands)					
Net revenue	\$ 38,079	\$ 26,409	\$ 31,798	\$ 51,277	-	\$ 147,563
Cost of revenue	21,519	3,976	8,637	21,261	-	55,393
Gross profit	16,560	22,433	23,161	30,016	-	92,170
Gross margin	43%	85%	73%	59%	-	62%
Operating expenses:						
Advertising with related party	7,340	-	-	-	-	7,340
Restructuring and other charges	635	12	30	9	-	686
Other operating expenses	25,631	14,731	22,901	32,186	237	95,686
Total operating expenses	33,606	14,743	22,931	32,195	237	103,712
Income (loss) from operations	(17,046)	7,690	230	(2,179)	(237)	(11,542)
Other income (expenses):						
Interest income, net	-	-	-	-	4,958	4,958
Equity in net loss of investments	-	-	-	-	(91)	(91)
Gain on sale of interest in Rhapsody America ^(E)	3,726	-	-	-	-	3,726
Other income (expenses), net	-	-	-	-	768	768
Total other income (expenses), net	3,726	-	-	-	5,635	9,361
Income (loss) before income taxes	(13,320)	7,690	230	(2,179)	5,398	(2,181)
Income taxes	-	-	-	-	(4,008)	(4,008)
Net income (loss)	(13,320)	7,690	230	(2,179)	1,390	(6,189)
Net income (loss) attributable to noncontrolling interest in Rhapsody America	8,615	-	-	-	-	8,615
Net income (loss) attributable to common shareholders	\$ (4,705)	\$ 7,690	\$ 230	\$ (2,179)	\$ 1,390	\$ 2,426

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	\$ (4,705)	\$ 7,690	\$ 230	\$ (2,179)	\$ 1,390	\$ 2,426
Income taxes	-	-	-	-	4,008	4,008
Interest income, net	-	-	-	-	(4,958)	(4,958)
Stock-based compensation	1,079	713	1,123	2,574	-	5,489
Conversion of WiderThan stock options to a cash equivalent	-	-	-	89	-	89
Acquisitions related intangible asset amortization ^(F)	384	-	805	5,126	-	6,315
Depreciation and amortization ^(F)	1,410	1,303	738	2,831	-	6,282
Expenses (benefit) related to antitrust litigation:						
Income	-	-	-	-	-	-
Expenses	-	-	-	-	202	202
Charitable contributions	-	-	-	-	-	-
Adjusted EBITDA	\$ (1,832)	\$ 9,706	\$ 2,896	\$ 8,441	\$ 642	\$ 19,853

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 noncontrolling interest to be recorded as an equity transaction.

(F) Net of noncontrolling interest effect.

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

	Quarter Ended March 31, 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	\$ 56,021	\$ (630)	\$ (546)	\$ (1)	\$ -	\$ 54,844
Operating expenses:						
Research and development	\$ 28,559	\$ (1,824)	\$ -	\$ (5)	\$ -	\$ 26,730
Sales and marketing	43,685	(1,066)	(1,222)	(11)	-	41,386
General and administrative	22,831	(1,702)	-	-	-	21,129
Adjusted operating expenses, net	<u>\$ 95,075</u>	<u>\$ (4,592)</u>	<u>\$ (1,222)</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ 89,245</u>

	Quarter Ended March 31, 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	\$ 55,393	\$ (234)	\$ (2,315)	\$ (21)	\$ -	\$ 52,823
Operating expenses:						
Research and development	\$ 25,006	\$ (1,913)	\$ -	\$ (46)	\$ -	\$ 23,047
Sales and marketing	53,596	(1,908)	(4,000)	(22)	-	47,666
General and administrative	17,084	(1,434)	-	-	(202)	15,448
Adjusted operating expenses, net	<u>\$ 95,686</u>	<u>\$ (5,255)</u>	<u>\$ (4,000)</u>	<u>\$ (68)</u>	<u>\$ (202)</u>	<u>\$ 86,161</u>

(A) - Net of noncontrolling interest effect.

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

	Quarters Ended March 31,	
	2009	2008
	(in thousands, except per share data)	
Net income (loss) attributable to common shareholders	\$ (12,136)	\$ 2,426
Less accretion of MTVN's preferred return in Rhapsody America	(1,434)	-
Net income (loss) available to common shareholders	\$ (13,570)	\$ 2,426
Shares used to compute basic net income (loss) per share available to common shareholders	134,380	142,491
Dilutive potential common shares:		
Stock options and restricted stock	-	1,495
Convertible debt	-	10,750
Shares used to compute diluted net income (loss) per share available to common shareholders	134,380	154,736
Basic net income (loss) per share available to common shareholders	\$ (0.10)	\$ 0.02
Diluted net income (loss) per share available to common shareholders	\$ (0.10)	\$ 0.02