

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	(in thousands, except per share data)			
Net revenue	\$ 88,884	\$ 135,725	\$ 217,484	\$ 276,498
Cost of revenue	29,149	55,614	78,308	111,635
Gross profit	59,735	80,111	139,176	164,863
Operating expenses:				
Research and development	27,583	28,923	62,258	57,482
Sales and marketing	27,382	42,273	65,209	85,958
Advertising with related party (A)	-	6,865	1,065	14,288
General and administrative	14,590	19,338	29,511	42,169
Impairment of goodwill	-	175,583	-	175,583
Restructuring and other charges	4,792	-	10,407	794
Loss on excess office facilities	7,082	-	7,082	-
Total operating expenses	81,429	272,982	175,532	376,274
Operating loss	(21,694)	(192,871)	(36,356)	(211,411)
Other income (expenses):				
Interest income, net	551	754	931	1,937
Equity in net loss of Rhapsody and other equity method investments (B)	(5,427)	(269)	(5,427)	(924)
Gain (loss) on sale of equity investments, net	(50)	68	(50)	205
Gain on deconsolidation of Rhapsody	-	-	10,929	-
Other income (expense), net	994	(449)	1,093	406
Total other income (expense), net	(3,932)	104	7,476	1,624
Loss before income taxes	(25,626)	(192,767)	(28,880)	(209,787)
Income tax benefit (expense)	(281)	(1,210)	3,291	(2,759)
Net income (loss)	(25,907)	(193,977)	(25,589)	(212,546)
Net loss attributable to the noncontrolling interest in Rhapsody (C)	-	5,648	2,910	12,081
Net income (loss) attributable to common shareholders	\$ (25,907)	\$ (188,329)	\$ (22,679)	\$ (200,465)
Basic net income (loss) per share available to common shareholders	\$ (0.19)	\$ (1.40)	\$ (0.14)	\$ (1.51)
Diluted net income (loss) per share available to common shareholders	\$ (0.19)	\$ (1.40)	\$ (0.14)	\$ (1.51)
Shares used to compute basic net income (loss) per share available to common shareholders	135,277	134,420	135,209	134,394
Shares used to compute diluted net income (loss) per share available to common shareholders	135,277	134,420	135,209	134,394

(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>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 156,155	\$ 277,030
Short-term investments	157,065	107,870
Trade accounts receivable, net	43,805	60,937
Deferred costs, current portion	4,541	5,192
Prepaid expenses and other current assets	30,001	30,624
Total current assets	391,567	481,653
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	142,978	151,951
Leasehold improvements	25,308	31,041
Total equipment, software, and leasehold improvements	168,286	182,992
Less accumulated depreciation and amortization	121,616	125,878
Net equipment, software, and leasehold improvements	46,670	57,114
Restricted cash equivalents and investments	10,000	13,700
Equity investments	41,810	19,553
Other assets	3,746	4,030
Deferred costs, non-current portion	13,516	10,182
Deferred tax assets, net, non-current portion	8,822	10,001
Other intangible assets, net	7,804	10,650
Total assets	\$ 523,935	\$ 606,883
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 27,662	\$ 32,703
Accrued and other liabilities	88,521	124,934
Deferred revenue, current portion	20,740	31,374
Related party payable - Rhapsody (A)	459	-
Related party payable - MTVN (B)	-	11,216
Accrued loss on excess office facilities, current portion	762	3,228
Total current liabilities	138,144	203,455
Deferred revenue, non-current portion	879	1,933
Accrued loss on excess office facilities, non-current portion	4,047	-
Deferred rent	3,768	4,464
Deferred tax liabilities, net, non-current portion	719	961
Other long-term liabilities	12,293	13,006
Total liabilities	159,850	223,819
Noncontrolling interest in Rhapsody (C)	-	7,253
Shareholders' equity	364,085	375,811
Total liabilities and shareholders' equity	\$ 523,935	\$ 606,883

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

(B) 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.

(C) 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)

	Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (25,589)	\$ (212,546)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,973	15,522
Stock-based compensation	6,692	10,818
Gain on disposal of equipment, software, and leasehold improvements	(3)	(34)
Equity in net loss of Rhapsody and other investments	5,427	924
Loss (gain) on sale of equity investment, net	50	(205)
Gain on deconsolidation of Rhapsody	(10,929)	-
Excess tax benefit from stock option exercises	(18)	(9)
Impairment of goodwill	-	175,583
Accrued restructuring and other charges	3,581	(3,675)
Accrued loss on excess office facilities	6,470	-
Deferred income taxes, net	(1,609)	(682)
Other	22	24
Net change in certain operating assets and liabilities, net of acquisitions and disposals	<u>(54,404)</u>	<u>(3,961)</u>
Net cash (used in) provided by operating activities	<u>(56,337)</u>	<u>(18,241)</u>
Cash flows from investing activities:		
Purchases of equipment, software, and leasehold improvements	(9,507)	(7,608)
Purchases of short-term investments	(65,754)	(66,192)
Proceeds from sales and maturities of short-term investments	16,559	38,692
Proceeds from the sales of equity investments	-	205
Purchases of equity investments	-	(2,000)
Payment of acquisition costs, net of cash acquired	-	(3,154)
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>141</u>
Net cash provided by (used in) investing activities	<u>(67,133)</u>	<u>(39,916)</u>
Cash flows from financing activities:		
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	1,272	819
Payments received on MTVN note	1,213	14,537
Capital contribution to Rhapsody from MTVN	-	5,000
Excess tax benefit from stock option exercises	<u>18</u>	<u>9</u>
Net cash provided by (used in) financing activities	<u>2,503</u>	<u>20,365</u>
Effect of exchange rate changes on cash and cash equivalents	<u>92</u>	<u>2,316</u>
Net decrease in cash and cash equivalents	(120,875)	(35,476)
Cash and cash equivalents, beginning of period	<u>277,030</u>	<u>232,968</u>
Cash and cash equivalents, end of period	<u>\$ 156,155</u>	<u>\$ 197,492</u>

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

	2010		2009			
	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)					
Net Revenue by Line of Business:						
Technology products and solutions (A)	\$ 41,122	\$ 41,892	\$ 54,269	\$ 47,428	\$ 46,208	\$ 43,579
Media software and services (B)	19,617	20,739	22,899	24,580	19,291	20,318
Games (C)	28,145	30,236	30,736	29,491	29,774	32,823
Subtotal net revenue	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	<u>\$ 88,884</u>	<u>\$ 128,600</u>	<u>\$ 145,502</u>	<u>\$ 140,264</u>	<u>\$ 135,725</u>	<u>\$ 140,773</u>
Consumer Products and Services: (D)						
Subscriptions (E)	\$ 22,000	\$ 49,805	\$ 50,492	\$ 52,401	\$ 54,446	\$ 59,052
Media properties (F)	13,921	17,168	20,327	21,001	14,753	15,536
E-commerce and other (G)	11,841	19,735	20,414	19,434	20,318	22,606
Total consumer products and services revenue	<u>\$ 47,762</u>	<u>\$ 86,708</u>	<u>\$ 91,233</u>	<u>\$ 92,836</u>	<u>\$ 89,517</u>	<u>\$ 97,194</u>
Net Revenue by Geography:						
United States	\$ 48,351	\$ 84,550	\$ 91,175	\$ 95,758	\$ 90,685	\$ 96,666
Rest of world	40,533	44,050	54,327	44,506	45,040	44,107
Total net revenue	<u>\$ 88,884</u>	<u>\$ 128,600</u>	<u>\$ 145,502</u>	<u>\$ 140,264</u>	<u>\$ 135,725</u>	<u>\$ 140,773</u>
Subscribers (presented as greater than):						
Consumer subscribers(H)	600	575	625	625	550	575
Technology products and solutions application services subscribers (I)	37,600	37,950	38,850	37,500	36,300	33,850

(A) 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.

(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 Games and former Music businesses. We repurchased RadioPass from Rhapsody as part of the restructuring that occurred on March 31, 2010. We have included RadioPass subscribers beginning in the quarter ended June 30, 2010, as a result.

(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) 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. 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." Prior to March 31, 2010, the Music segment primarily included revenue and related costs from: Rhapsody'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.

(E) Revenue is derived from consumer digital media subscription services including: SuperPass, RadioPass, FunPass, GamePass and Rhapsody. Revenue from Rhapsody no longer appears within our results in periods after March 31, 2010.

(F) Revenue is derived from advertising and through the distribution of third party products. Revenue from Rhapsody no longer appears within our results in periods after March 31, 2010.

(G) Revenue is derived from RealPlayer Plus and related products, sales of third party software products, and content such as games and music. Revenue from Rhapsody no longer appears within our results in periods after March 31, 2010.

(H) Consumer subscribers primarily include: SuperPass, and GamePass. We repurchased RadioPass from Rhapsody as part of the restructuring that occurred on March 31, 2010. We have included RadioPass subscribers beginning in the quarter ended June 30, 2010, as a result.

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

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

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

	Quarters Ended					
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
	(in thousands)					
Net income (loss) attributable to common shareholders	\$ (25,907)	\$ 3,228	\$ (17,819)	\$ 1,520	\$ (188,329)	\$ (12,136)
Interest income, net	(551)	(380)	(779)	(1,253)	(754)	(1,183)
Income taxes	281	(3,572)	(124)	686	1,210	1,549
Depreciation and amortization (net of noncontrolling interest effect)	5,492	6,005	6,355	5,432	5,815	5,726
Acquisitions related intangible asset amortization (net of noncontrolling interest effect)	1,167	1,239	1,797	1,784	1,649	1,768
Stock-based compensation	2,771	3,921	5,915	4,727	5,596	5,222
Pro forma gain on sale of interest in Rhapsody	-	598	5,577	3,839	3,444	4,010
Gain on deconsolidation of Rhapsody	-	(10,929)	-	-	-	-
Equity in net loss of Rhapsody and other equity investments	5,427	-	116	273	269	655
Loss (gain) on sale of equity investments, net	50	-	121	(604)	(68)	(137)
Impairment of equity investments	-	-	5,020	-	-	-
Impairment of goodwill and long-lived assets	-	-	-	-	175,583	-
Restructuring and other charges	4,792	5,615	2,346	877	-	794
Loss on excess office facilities	7,082	-	-	-	-	-
Adjusted EBITDA	<u>\$ 604</u>	<u>\$ 5,725</u>	<u>\$ 8,525</u>	<u>\$ 17,281</u>	<u>\$ 4,415</u>	<u>\$ 6,268</u>

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

	Quarter Ended June 30, 2010					Grand Total
	TPS ^(A)	MSS ^(B)	Games ^(C)	Music ^(D)	Other	
	(in thousands)					
Net revenue	\$ 41,122	\$ 19,617	\$ 28,145	\$ -	\$ -	\$ 88,884
Cost of revenue	17,526	4,243	7,380	-	-	29,149
Gross profit	23,596	15,374	20,765	-	-	59,735
Gross margin	57%	78%	74%	-	-	67%
Operating expenses:						
Loss on excess office facilities	-	-	-	-	7,082	7,082
Restructuring and other charges	-	-	-	-	4,792	4,792
Other operating expenses	25,663	16,132	27,784	-	(24)	69,555
Total operating expenses	25,663	16,132	27,784	-	11,850	81,429
Income (loss) from operations	(2,067)	(758)	(7,019)	-	(11,850)	(21,694)
Other income (expenses):						
Interest income, net	-	-	-	-	551	551
Equity in net loss of Rhapsody and other equity method investments	-	-	-	-	(5,427)	(5,427)
Gain (loss) on sale of equity investments, net	-	-	-	-	(50)	(50)
Gain on deconsolidation of Rhapsody	-	-	-	-	-	-
Other income (expenses), net	-	-	-	-	994	994
Total other income (expenses), net	-	-	-	-	(3,932)	(3,932)
Income (loss) before income taxes	(2,067)	(758)	(7,019)	-	(15,782)	(25,626)
Income taxes	-	-	-	-	(281)	(281)
Net income (loss)	(2,067)	(758)	(7,019)	-	(16,063)	(25,907)
Net income (loss) attributable to noncontrolling interest in Rhapsody	-	-	-	-	-	-
Net income (loss) attributable to common shareholders	\$ (2,067)	\$ (758)	\$ (7,019)	\$ -	\$ (16,063)	\$ (25,907)

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	\$ (2,067)	\$ (758)	\$ (7,019)	\$ -	\$ (16,063)	\$ (25,907)
Interest income, net	-	-	-	-	(551)	(551)
Income taxes	-	-	-	-	281	281
Depreciation and amortization	2,544	718	2,230	-	-	5,492
Acquisitions related intangible asset amortization	1,106	-	61	-	-	1,167
Stock-based compensation	1,537	456	778	-	-	2,771
Equity in net loss of Rhapsody and other equity investments	-	-	-	-	5,427	5,427
Loss (gain) on sale of equity investments, net	-	-	-	-	50	50
Restructuring and other charges	-	-	-	-	4,792	4,792
Loss on excess office facilities	-	-	-	-	7,082	7,082
Adjusted EBITDA	\$ 3,120	\$ 416	\$ (3,950)	\$ -	\$ 1,018	\$ 604

	Quarter Ended June 30, 2009					
	TPS ^(A)	MSS ^(B)	Games ^(C)	Music ^(D)	Other	Grand Total
	(in thousands)					
Net revenue	\$ 46,208	\$ 19,291	\$ 29,774	\$ 40,452	\$ -	\$ 135,725
Cost of revenue	19,278	2,590	8,801	24,945	-	55,614
Gross profit	26,930	16,701	20,973	15,507	-	80,111
Gross margin	58%	87%	70%	38%	-	59%
Operating expenses:						
Advertising with related party	-	-	-	6,865	-	6,865
Impairment of goodwill	50,531	46,776	41,247	37,029	-	175,583
Other operating expenses	25,512	18,417	26,761	19,808	36	90,534
Total operating expenses	76,043	65,193	68,008	63,702	36	272,982
Income (loss) from operations	(49,113)	(48,492)	(47,035)	(48,195)	(36)	(192,871)
Other income (expenses):						
Interest income, net	-	-	-	-	754	754
Equity in net loss of Rhapsody and other equity method investments	-	-	-	-	(269)	(269)
Gain (loss) on sale of equity investments, net	-	-	-	-	68	68
Other income (expenses), net	-	-	-	-	(449)	(449)
Total other income (expenses), net	-	-	-	-	104	104
Income (loss) before income taxes	(49,113)	(48,492)	(47,035)	(48,195)	68	(192,767)
Income taxes	-	-	-	-	(1,210)	(1,210)
Net income (loss)	(49,113)	(48,492)	(47,035)	(48,195)	(1,142)	(193,977)
Net income (loss) attributable to noncontrolling interest in Rhapsody	-	-	-	5,648	-	5,648
Net income (loss) attributable to common shareholders	\$ (49,113)	\$ (48,492)	\$ (47,035)	\$ (42,547)	\$ (1,142)	\$ (188,329)

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	\$ (49,113)	\$ (48,492)	\$ (47,035)	\$ (42,547)	\$ (1,142)	\$ (188,329)
Interest income, net	-	-	-	-	(754)	(754)
Income taxes	-	-	-	-	1,210	1,210
Depreciation and amortization ^(E)	2,847	856	1,041	1,071	-	5,815
Acquisitions related intangible asset amortization ^(E)	1,270	-	101	278	-	1,649
Stock-based compensation	2,464	798	1,596	738	-	5,596
Pro forma gain on sale of interest in Rhapsody	-	-	-	3,444	-	3,444
Equity in net loss of Rhapsody and other investments	-	-	-	-	269	269
Loss (gain) on sale of equity investments, net	-	-	-	-	(68)	(68)
Impairment of goodwill	50,531	46,776	41,247	37,029	-	175,583
Adjusted EBITDA	\$ 7,999	\$ (62)	\$ (3,050)	\$ 13	\$ (485)	\$ 4,415

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 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.

(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. We repurchased RadioPass from Rhapsody as part of the restructuring that occurred on March 31, 2010. We have included RadioPass subscribers beginning in the quarter ended June 30, 2010, as a result.

(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) 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. 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) Net of noncontrolling interest effect.

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

Quarter Ended June 30, 2010				
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	Adjusted	
(in thousands)				
Cost of revenue	\$ 29,149	\$ (228)	\$ (525)	\$ 28,396
Operating expenses:				
Research and development	\$ 27,583	\$ (693)	\$ -	\$ 26,890
Sales and marketing	27,382	(811)	(642)	25,929
General and administrative	14,590	(1,039)	-	13,551
Adjusted operating expenses, net	\$ 69,555	\$ (2,543)	\$ (642)	\$ 66,370

Quarter Ended June 30, 2009				
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	Adjusted	
(in thousands)				
Cost of revenue	\$ 55,614	\$ (363)	\$ (553)	\$ 54,698
Operating expenses:				
Research and development	\$ 28,923	\$ (2,234)	\$ -	\$ 26,689
Sales and marketing	42,273	(1,199)	(1,096)	39,978
General and administrative	19,338	(1,800)	-	17,538
Adjusted operating expenses, net	\$ 90,534	\$ (5,233)	\$ (1,096)	\$ 84,205

Six Months Ended June 30, 2010				
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	Adjusted	
(in thousands)				
Cost of revenue	\$ 78,308	\$ (459)	\$ (1,045)	\$ 76,804
Operating expenses:				
Research and development	\$ 62,258	\$ (2,290)	\$ -	\$ 59,968
Sales and marketing	65,209	(1,807)	(1,361)	62,041
General and administrative	29,511	(2,136)	-	27,375
Adjusted operating expenses, net	\$ 156,978	\$ (6,233)	\$ (1,361)	\$ 149,384

Six Months Ended June 30, 2009				
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	Adjusted	
(in thousands)				
Cost of revenue	\$ 111,635	\$ (993)	\$ (1,099)	\$ 109,543
Operating expenses:				
Research and development	\$ 57,482	\$ (4,058)	\$ -	\$ 53,424
Sales and marketing	85,958	(2,265)	(2,318)	81,375
General and administrative	42,169	(3,502)	-	38,667
Adjusted operating expenses, net	\$ 185,609	\$ (9,825)	\$ (2,318)	\$ 173,466

(A) - Net of noncontrolling interest effect.

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
	(in thousands, except per share data)			
Net income (loss) attributable to common shareholders	\$ (25,907)	\$ (188,329)	\$ (22,679)	\$ (200,465)
Less accretion of MTVN's preferred return in Rhapsody	-	(416)	3,700	(1,850)
Net income (loss) available to common shareholders	<u>\$ (25,907)</u>	<u>\$ (188,745)</u>	<u>\$ (18,979)</u>	<u>\$ (202,315)</u>
Shares used to compute basic net income (loss) per share available to common shareholders	135,277	134,420	135,209	134,394
Dilutive potential common shares:				
Stock options and restricted stock	-	-	-	-
Shares used to compute diluted net income (loss) per share available to common shareholders	<u>135,277</u>	<u>134,420</u>	<u>135,209</u>	<u>134,394</u>
Basic net income (loss) per share available to common shareholders	\$ (0.19)	\$ (1.40)	\$ (0.14)	\$ (1.51)
Diluted net income (loss) per share available to common shareholders	\$ (0.19)	\$ (1.40)	\$ (0.14)	\$ (1.51)