RealNetworks, Inc. and Subsidiaries Condensed Consolidated Statements of Operations

(Unaudited)

| | | Quarter June | | d | | Six Montl June | | ied |
|--|----------|-------------------------------------|----------|--|----------|-------------------------------------|---|--|
| | | 2012 | | 2011 | | 2012 | | 2011 |
| | | | (in 1 | thousands, exc | ept per | share data) | | |
| Net revenue | \$ | 65,526 | \$ | 83,752 | \$ | 132,490 | \$ | 171,053 |
| Cost of revenue | | 25,962 | | 30,666 | | 53,389 | | 62,732 |
| Gross profit | | 39,564 | | 53,086 | | 79,101 | | 108,321 |
| Sale of patents and other technology assets, net of costs (A) | | 117,933 | | - | | 116,353 | | • |
| Operating expenses: Research and development Sales and marketing General and administrative Restructuring and other charges Loss (gain) on excess office facilities | | 16,028 22,694 13,068 1,539 | | 17,809 28,853 10,874 508 (174) | | 33,846 46,490 26,344 3,148 | | 37,704 57,333 16,496 7,412 (174) |
| Total operating expenses | | 53,329 | | 57,870 | | 109,828 | | 118,771 |
| Operating income (loss) | | 104,168 | | (4,784) | | 85,626 | | (10,450) |
| Other income (expenses): Interest income, net Gain (loss) on sale of equity and other investments, net Equity in net loss of Rhapsody investment Other income (expense), net | | 225 3,078 (2,114) (49) | | 311 - (1,018) (311) | | 869 3,078 (2,482) 1,426 | *************************************** | 690 - (4,299) (433) |
| Total other income (expense), net | | 1,140 | | (1,018) | | 2,891 | | (4,042) |
| Income (loss) before income taxes Income tax (expense) benefit | | 105,308 (24,311) | | (5,802) (1,047) | | 88,517 (24,535) | | (14,492) (4,662) |
| Net income (loss) | \$ | 80,997 | \$ | (6,849) | \$ | 63,982 | \$ | (19,154) |
| Basic net income (loss) per share Diluted net income (loss) per share | \$ \$ | 2.33 2.32 | \$ \$ | (0.20) (0.20) | \$ \$ | 1.85 1.83 | \$ \$ | (0.56) (0.56) |
| Shares used to compute basic net income (loss) per share Shares used to compute diluted net income (loss) per share | | 34,752 34,900 | | 34,135 34,135 | | 34,620 34,914 | | 34,067 34,067 |

⁽A) On April 5, 2012, RealNetworks completed the sale of certain patents and other technology assets to Intel for a cash purchase of \$120.0 million.

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

| Current assetts | | J | une 30, 2012 | Dec | ember 31, 2011 |
|--|---|----|-----------------|---------|-------------------|
| Current assets: \$ 199,540 \$ 105,333 Cash and cash equivalents \$ 34,466 78,733 Short-term investments \$ 38,512 41,165 Deferred accounts receivable, net 1,701 1,424 Prepaid expenses and other current assets 17,933 21,902 Total current assets 341,092 249,563 Equipment, software, and leasehold improvements, at cost: 106,391 104,382 Equipment, software, and leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 132,521 130,299 Lease accumulated depreciation and amortization 94,975 22,285 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,798 Equity method investments 3,083 2,954 Deferred costs, non-current portion 4,555 843 Deferred costs, non-current portion 4,555 84,798 Goodwill 5,080 7,108 | | - | (in tho | usands) | |
| Cash and cash equivalents \$ 199,540 \$ 108,33 Short-term investments 38,512 41,769 Trade accounts receivable, net 38,512 41,1616 Deferred costs, current portion 1,701 1,424 Prepaid expenses and other current assets 21,905 21,905 Total current assets 341,092 249,563 Equipment, software, and leasehold improvements, et cost: 106,391 104,352 Equipment, software, and leasehold improvements 26,100 25,947 Total equipment, software, and leasehold improvements 132,521 130,299 Less accumulated depreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 10,174 10,168 Restricted cash equivalents and investments 10,174 10,168 Equipment, software, and leasehold improvements 37,546 37,704 Restricted cash equivalents and investments 10,177 10,168 Equipment, software, and leasehold improvements 3,08 2,954 Restricted cash equivalents and investments 3,08 2,954 Reptired cash | ASSETS | | | | |
| Short-term investments 83,406 78,739 Trade accounts receivable, net 38,512 41,165 Deferred costs, current portion 1,701 1,424 Prepaid expenses and other current assets 17,933 21,002 Total current assets 106,391 104,362 Equipment, software, and leasehold improvements, at cost: 106,391 104,362 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 37,254 130,298 Lease accumulated depreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,188 Requipment, software, and leasehold improvements 32,086 37,294 Restricted cash equivalents and investments 10,174 10,188 Restricted cash equivalents and investments 5,316 7,798 Available for sale securities 32,887 37,204 Deferred cash equivalents and investments 5,316 7,798 Deferred costs, non-current portion | Current assets: | | | | |
| Trade accounts receivable, net 38,512 41,165 Deferred costs, current portion 1,701 1,424 Prepaid expenses and other current assets 17,933 21,002 Total current assets 341,002 249,563 Equipment, software, and leasehold improvements, at cost: 106,391 104,352 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 32,262 30,299 Less accountiated despreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equipment, software, and leasehold improvements 3,296 37,204 Restricted cash equivalents and investments 10,174 10,168 Equipment, software, and leasehold improvements 3,296 37,204 Restricted cash equivalents and investments 10,174 10,168 Equipment, software, and leasehold improvements 3,296 37,204 Restricted cash equivalents and investments 10,174 10,168 <t< td=""><td>Cash and cash equivalents</td><td>\$</td><td>199,540</td><td>\$</td><td>106,333</td></t<> | Cash and cash equivalents | \$ | 199,540 | \$ | 106,333 |
| Deferred costs, current portion 1,701 1,424 Prepaid expenses and other current assets 17,933 21,902 Total current assets 341,092 29,563 Equipment, software, and leasehold improvements, at cost: 8,6130 104,352 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 132,521 130,299 Leas accumulated depreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 10,174 10,168 Restricted cash equivalents and investments 10,174 10,168 Restricted cash equivalents and investments 5,316 7,798 Available for sale securities 3,088 2,954 Other assets 3,088 2,954 Deferred costs, non-current portion 276 843 Deferred costs, non-current portion 276 843 Total assets \$ 245,561 \$ 377,798 Accounts payable \$ 22,443 \$ 171,515 Accounts payable \$ 22,443 \$ 171,515 Accouned and oth | Short-term investments | | 83,406 | | 78,739 |
| Prepaid expenses and other current assets 17,933 21,902 Total current assets 341,092 249,563 Equipment, software, and leasehold improvements at cost: 106,391 104,382 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 130,521 130,299 Less accumulated depreciation and amortization 34,975 32,285 Net equipment, software, and leasehold improvements 10,174 10,168 Restricted cash equivalents and investments 10,174 10,168 Requiry method investments 30,388 2,954 Available for sale securities 32,296 37,204 Other assets 32,296 37,204 Deferred costs, non-current portion 276 84 Obterined tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,189 Goodwill 6,188 6,198 6,198 Accounts payable \$2,243 \$17,151 Accounts payable \$2,243 \$17,151 Accounts pay | Trade accounts receivable, net | | 38,512 | | 41,165 |
| Total current assets 341,092 249,583 Equipment, software, and leasehold improvements, at cost: 106,391 104,352 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 132,521 130,299 Less accumulated depreciation and amortization 34,975 32,625 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,798 Available for sale securities 3,088 2,296 Cliber assets 3,088 2,954 Deferred costs, non-current portion 4,535 18,419 Other intangible assets, net 5,090 7,109 Goodwill 5,186 6,188 6,188 Total assets \$ 22,443 \$ 377,790 Accounts payable \$ 22,443 \$ 17,151 Accounts payable \$ 22,443 \$ 7,151 Accounted and other liabilities \$ 2,443 \$ 7,151 Accounde sos on excess office facilities, | | | | | |
| Equipment, software, and leasehold improvements, at cost: 106,391 104,352 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 132,521 130,298 Less accumulated depreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,796 Available for sale securities 3,2296 37,204 Other sasets 3,088 2,945 Deferred tosis, non-current portion 276 843 Deferred tosis, non-current portion 4,535 18,419 Other intangible assets, net, non-current portion 5,050 7,169 Current liabilities 63,053 3,77,70 Total assets 22,443 17,751 Accounts payable \$22,443 17,516 Accounts payable \$63,053 59,194 Deferred revenue, current portion 10,187 11,635 Accounted not excess office fac | Prepaid expenses and other current assets | | 17,933 | | 21,902 |
| Equipment and software Leasehold improvements 106,391 104,325 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 312,521 130,298 Less accumulated depreciation and amortization 37,546 37,474 Restricted cash equivalents and investments 10,174 10,188 Equity method investments 5,316 7,798 Available for sale securities 30,298 37,204 Other assets 3,088 2,945 Deferred toss, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,188 Coodwill 6,188 5,186 6,188 Obtain assets 2,445 3,77,200 LIABILITIES AND SHAREHOLDER'S EQUITY 2 2,443 17,151 Accounts payable \$ 22,443 \$ 7,151 1,152 1,183 1,183 Accrued and other liabilities 63,053 5,914 1,183 1,183 1,184 Deferred | Total current assets | | 341,092 | | 249,563 |
| Equipment and software Leasehold improvements 106,391 104,325 Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 312,521 130,298 Less accumulated depreciation and amortization 37,546 37,474 Restricted cash equivalents and investments 10,174 10,188 Equity method investments 5,316 7,798 Available for sale securities 30,298 37,204 Other assets 3,088 2,945 Deferred toss, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,188 Coodwill 6,188 5,186 6,188 Obtain assets 2,445 3,77,200 LIABILITIES AND SHAREHOLDER'S EQUITY 2 2,443 17,151 Accounts payable \$ 22,443 \$ 7,151 1,152 1,183 1,183 Accrued and other liabilities 63,053 5,914 1,183 1,183 1,184 Deferred | Equipment, software, and leasehold improvements, at cost: | | | | |
| Leasehold improvements 26,130 25,947 Total equipment, software, and leasehold improvements 132,521 130,299 Less accumulated depreciation and amortization 94,975 92,825 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,788 Available for sale securities 30,888 2,954 Other assets 3,088 2,954 Deferred costs, non-current portion 276 843 Deferred tax assets, net, on-current portion 4,535 18,419 Other intangible assets, net 5,050 7,169 Goodwill 6,188 6,198 Total assets 2445,561 377,790 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Accounts payable \$ 22,443 \$ 17,151 Accounts payable \$ 22,443 \$ 17,151 Accounced and other liabilities 63,053 59,184 Deferred revenue, current portion | · · · · · · · · · · · · · · · · · · · | | 106,391 | | 104,352 |
| Total equipment, software, and leasehold improvements 132,821 130,299 Less accumulated depreciation and amortization 94,975 32,825 Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,788 Available for sale securities 32,996 37,204 Other assets 30,888 2,954 Deferred costs, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 6,150 7,189 Goodwill 5,156 377,790 LIABILITIES AND SHAREHOLDER'S EQUITY Current liabilities 63,053 59,194 Accrued and other liabilities 63,053 59,194 Accrued and other liabilities 63,053 59,194 Accrued loss on excess office facilities, current portion 10,187 11,835 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred | | | | | |
| Net equipment, software, and leasehold improvements 37,546 37,474 Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,798 Available for sale securities 32,296 37,204 Other assets 3,088 2,954 Deferred costs, non-current portion 4,535 18,419 Other intangible assets, net, non-current portion 5,050 7,169 Goodwill 6,188 6,188 Goodwill 6,188 6,188 Total assets 22,443 17,151 Accounts payable \$ 22,443 17,151 Accoud and other liabilities 63,053 59,194 Accrued loss on excess office facilities, current portion 593 596 Accrued loss on excess office facilities, current portion 10,187 11,835 Accrued loss on excess office facilities, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax l | Total equipment, software, and leasehold improvements | | | | |
| Restricted cash equivalents and investments 10,174 10,168 Equity method investments 5,316 7,798 Available for sale securities 32,296 37,204 Other assets 3,088 2,954 Deferred costs, non-current portion 4,535 18,419 Other intangible assets, net, non-current portion 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$ 22,443 \$ 17,151 Accound and other liabilities \$ 33,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred trevenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 1,536 2,154 | Less accumulated depreciation and amortization | | 94,975 | | 92,825 |
| Equity method investments 5,316 7,798 Available for sale securities 32,296 37,204 Other assets 3,088 2,954 Deferred costs, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$22,443 \$17,151 Accorued and other liabilities 63,053 59,194 Accrued loss on excess office facilities, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 1,536 2,151 <td>Net equipment, software, and leasehold improvements</td> <td></td> <td>37,546</td> <td></td> <td>37,474</td> | Net equipment, software, and leasehold improvements | | 37,546 | | 37,474 |
| Equity method investments 5,316 7,798 Available for sale securities 32,296 37,204 Other assets 3,088 2,954 Deferred costs, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$22,443 \$17,151 Accorued and other liabilities 63,053 59,194 Accrued loss on excess office facilities, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 1,536 2,151 <td>Restricted cash equivalents and investments</td> <td></td> <td>10.174</td> <td></td> <td>10.168</td> | Restricted cash equivalents and investments | | 10.174 | | 10.168 |
| Available for sale securities 32,296 37,204 Other assets 3,088 2,954 Deferred costs, non-current portion 4,535 18,419 Other intangible assets, net, non-current portion 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$22,443 \$17,151 Accord and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 9,871 10,994 Deferred tax liabilities, net, non-current portion 9,871 10,994 Total liabilities 111,692 106,503 < | | | • | | |
| Other assets 3,088 2,954 Deferred costs, non-current portion 276 843 Other rid tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable 22,443 17,151 Accorued and other liabilities 63,053 59,194 Accrued and other liabilities, ourrent portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 1,535 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 9,871 10,994 Total liabilities 111,692 106,503 Total liabilities 333,869 271,287 | • • | | | | |
| Deferred costs, non-current portion 276 843 Deferred tax assets, net, non-current portion 4,535 18,419 Other intangible assets, net 5,050 7,169 Goodwill 6,188 6,198 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Current liabilities: Accrued and other liabilities 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred revenue, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 1,536 2,151 Deferred tax liabilities, net, non-current portion 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Other assets | | | | |
| Other intangible assets, net Goodwill 5,050 6,188 7,169 6,198 Total assets \$ 445,561 \$ 377,790 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$ 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 | Deferred costs, non-current portion | | | | |
| Other intangible assets, net Goodwill 5,050 6,188 7,169 6,198 Total assets \$ 445,561 \$ 377,790 LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$ 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 | Deferred tax assets, net, non-current portion | | 4,535 | | 18,419 |
| Total assets \$ 445,561 \$ 377,790 | Other intangible assets, net | | | | 7,169 |
| LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable \$ 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Goodwill | | 6,188 | | 6,198 |
| Current liabilities: Current liabilities: Accounts payable \$ 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Total assets | \$ | 445,561 | \$ | 377,790 |
| Accounts payable \$ 22,443 \$ 17,151 Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Accrued and other liabilities 63,053 59,194 Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Current liabilities: | | | | |
| Deferred revenue, current portion 10,187 11,835 Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Accounts payable | \$ | 22,443 | \$ | 17,151 |
| Accrued loss on excess office facilities, current portion 593 596 Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Accrued and other liabilities | | 63,053 | | 59,194 |
| Total current liabilities 96,276 88,776 Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Deferred revenue, current portion | | 10,187 | | 11,835 |
| Deferred revenue, non-current portion 185 195 Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Accrued loss on excess office facilities, current portion | | 593 | | 596 |
| Accrued loss on excess office facilities, non-current portion 1,536 2,151 Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Total current liabilities | | 96,276 | | 88,776 |
| Deferred rent 2,692 2,944 Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Deferred revenue, non-current portion | | 185 | | 195 |
| Deferred tax liabilities, net, non-current portion 1,132 1,443 Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Accrued loss on excess office facilities, non-current portion | | 1,536 | | 2,151 |
| Other long-term liabilities 9,871 10,994 Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Deferred rent | | 2,692 | | 2,944 |
| Total liabilities 111,692 106,503 Shareholders' equity 333,869 271,287 | Deferred tax liabilities, net, non-current portion | | 1,132 | | 1,443 |
| Shareholders' equity 333,869 271,287 | Other long-term liabilities | | 9,871 | | 10,994 |
| | Total liabilities | | 111,692 | | 106,503 |
| Total liabilities and shareholders' equity \$ 445,561 \$ 377,790 | Shareholders' equity | | 333,869 | | 271,287 |
| | Total liabilities and shareholders' equity | \$ | 445,561 | \$ | 377,790 |

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

| Cash flows from operating activities: Net income (loss) \$ Adjustments to reconcile net income (loss) to net cash used in operating activities: Depreciation and amortization Stock-based compensation | 2012 (in thou 63,982 8,162 4,065 2,482 | | (19,154) |
|--|---|-------|----------|
| Net income (loss) \$ Adjustments to reconcile net income (loss) to net cash used in operating activities: Depreciation and amortization | 63,982 8,162 4,065 | | (19,154) |
| Net income (loss) \$ Adjustments to reconcile net income (loss) to net cash used in operating activities: Depreciation and amortization | 8,162 4,065 | \$ | (19,154) |
| Net income (loss) \$ Adjustments to reconcile net income (loss) to net cash used in operating activities: Depreciation and amortization | 8,162 4,065 | \$ | (19,154) |
| Depreciation and amortization | 4,065 | | |
| | 4,065 | | |
| Stock-based compensation | | | 8,116 |
| | 2 482 | | 6,129 |
| Equity in net loss of Rhapsody investment | 2,402 | | 4,299 |
| Excess tax benefit from stock option exercises | - | | (57) |
| Deferred income taxes, net | 22,496 | | (351) |
| Gain on sale of patent and other technology assets, net of costs | (116,353) | | - |
| Gain on sale of equity and other investments, net | (3,078) | | - |
| Realized translation gain | (1,611) | | - |
| Other | (79) | | 147 |
| Net change in certain operating assets and liabilities | 2,493 | ····· | (4,619) |
| Net cash provided by (used in) operating activities | (17,441) | | (5,490) |
| Cash flows from investing activities: | | | |
| Purchases of equipment, software, and leasehold improvements | (4,989) | | (3,134) |
| Proceeds from sale of patents and other technology assets, net of costs | 116,353 | | - |
| Proceeds from sale of equity and other investments | 4,165 | | - |
| Purchases of short-term investments | (18,637) | | (54,844) |
| Proceeds from sales and maturities of short-term investments | 13,970 | | 62,005 |
| Decrease (increase) in restricted cash equivalents and investments, net | (5) | | (141) |
| Payment of acquisition costs, net of cash acquired | | | (2,888) |
| Net cash provided by (used in) investing activities | 110,857 | | 998 |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of common stock (stock options and stock purchase plan) | 1,221 | | 1,610 |
| Tax payments from shares withheld upon vesting of restricted stock | (884) | | = |
| Excess tax benefit from stock option exercises | | | 57 |
| Net cash provided by (used in) financing activities | 337 | | 1,667 |
| Effect of exchange rate changes on cash and cash equivalents | (546) | | 3,537 |
| Net increase (decrease) in cash and cash equivalents | 93,207 | | 712 |
| Cash and cash equivalents, beginning of period | 106,333 | | 236,018 |
| Cash and cash equivalents, end of period \$ | 199,540 | \$ | 236,730 |

RealNetworks, Inc. and Subsidiaries Supplemental Financial Information

| | | 20 | 12 | | | | | 20 | 11 | *************************************** | | |
|--|---|---------|----------|---------|----|----------|----------|------------------|-----------|---|----|---------|
| | | Q2 | | Q1 | | Q4 | | Q3 | | Q2 | | Q1 |
| | | | | | | (in thou | ısands) | | | | | |
| Net Revenue by Line of Business: | | | | | | | | | | | | |
| Core Products (A) | \$ | 38,250 | S | 37,697 | \$ | 46,693 | \$ | 50,705 | \$ | 45,735 | \$ | 48,107 |
| Emerging Products (B) | | 9,913 | | 10,159 | | 11,974 | | 10,764 | | 12,717 | | 11,135 |
| Games (C) Total net revenue | - | 17,363 | - | 19,108 | - | 21,552 | _ | 22,945 84,414 | - | 25,300 | | 28,059 |
| I of a rict revellate | 3 | 65,526 | 5 | 66,964 | 3 | 80,219 | | 04,414 | <u> </u> | 83,752 | \$ | 87,301 |
| Core Products Revenue by Product: | | | | | | | | | | | | |
| SaeS (D) | s | 23,286 | s | 23,463 | s | 28,255 | s | 30,381 | s | 30,216 | S | 30,526 |
| Systems Integration / Professional Services (E) | | 965 | • | 426 | - | 771 | - | 3,844 | • | 388 | • | 1,840 |
| Technology Licensing (F) | | 7,189 | | 6,207 | | 9,246 | | 6,250 | | 6,508 | | 6,425 |
| Consumer Subscriptions (G) | | 6.810 | | 7.601 | | 8,421 | | 10,230 | | 8.623 | | 9.316 |
| Total Core Products net revenue | <u>\$</u> | 38.250 | <u>s</u> | 37.697 | \$ | 46,693 | S | 50,705 | \$ | 45,735 | 5 | 48.107 |
| Net Benezus his Conservation | | | | | | | | | | | | |
| Net Revenue by Geography: United States | s | 28,614 | s | 31,814 | s | 37,298 | s | 38,969 | s | 41,984 | s | 44,469 |
| Rest of world | • | 36.912 | 3 | 35,150 | 3 | 42,921 | 3 | 45,445 | • | 41,768 | 3 | 42,832 |
| | *************************************** | | | | | | | | | *************************************** | | 42,002 |
| Total net revenue | \$ | 65,526 | S | 66,964 | \$ | 80,219 | <u>s</u> | 84,414 | <u>\$</u> | 83,752 | \$ | 87,301 |
| Product Metrics (subscribers and ICM presented as greater than): | | | | | | | | | | | | |
| Addressable subscribers of mobile operators under contract (H) | | 725,000 | | 725,000 | | 725,000 | | 700,000 | | 775,000 | | 775,000 |
| SaaS subscribers (t) | | 30,600 | | 30,500 | | 30.050 | | 34,000 | | 34,550 | | 35,900 |
| Monthly SaaS ARPU (in cents) (J) | \$ | 0.16 | S | 0.15 | Ş | 0.19 | Ş | 0.17 | S | 0.18 | \$ | 0.18 |
| ICM delivered in billions (K) | | 162 | | 166 | | 165 | | 162 | | 157 | | 151 |
| Consumer subscribers(L) | | 350 | | 400 | | 425 | | 500 | | 475 | | 500 |

- (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 Heix for handsets, 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 the 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, adventising on game sites and social network sites, games syndication services, microtransactions from online and social games and sales of mobile games.

Core Products Revenue by Product:

- (D) Software as a Service (Saa3) 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.
- (E) Systems Integrations / Professional Services revenue includes professional services, other than those associated with software sales, provided to mobile carriers and handset manufacturers.
- (F) Technology Ucensing Includes revenue from sales of software and other intellectual property licenses such as Helix server licenses and Helix software licenses for handsets.
- (G) Consumer Subscriptions includes revenue from SuperPass as well as our international radio subscription services.

- (H) 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.
- (I) SaaS subscribers include RBT, MOD and VOD services, measured at the end of the quarter.
- (J) 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.
- (K) ICM (Intercarrier message) represents the total number of messages delivered across our messaging platform during the quarter.
- (L) Consumer subscribers primarily includes our SuperPass and GamePass products.

RealNetworks, Inc. and Subsidiaries Segment Results of Operations

(Unaudited)

| | | 201: | | | | 2011 | 2012 | | 2011 |
|---|---|------------------|----|------------------|--------|------------------|---------------------|---|------------------|
| | | Q2 | | Q1 | | Q2 | YTD | | YTD |
| Core Products | | | | (| in the | ousands) | | | |
| Net revenue | \$ | 20.250 | • | 27.607 | \$ | 45 705 | 6 75 047 | • | 02.042 |
| Cost of revenue | Þ | 38,250 17,681 | \$ | 37,697 17,828 | Þ | 45,735 19,353 | \$ 75,947 35,509 | Þ | 93,842 40,337 |
| Gross profit | | 20,569 | _ | 19,869 | _ | 26,382 | 40,438 | _ | 53,505 |
| Gross margin | | 54% | | 53% | | 58% | 53% | | 57% |
| Operating expenses | | 16,429 | | 18,068 | | 19,174 | 34,497 | | 38,560 |
| Operating income (loss) | \$ | 4,140 | \$ | 1,801 | \$ | 7,208 | \$ 5,941 | \$ | 14,945 |
| Adjusted EBITDA | \$ | 6,628 | \$ | 4,400 | \$ | 9,900 | \$ 11,028 | \$ | 20,160 |
| Emerging Products | | | | | | | | | |
| Net revenue | \$ | 9,913 | \$ | 10,159 | \$ | 12,717 | \$ 20,072 | \$ | 23,852 |
| Cost of revenue | | 1,800 | | 2,105 | | 2,978 | 3,905 | _ | 4,518 |
| Gross profit | | 8,113 | | 8,054 | | 9,739 | 16,167 | | 19,334 |
| Gross margin | | 82% | | 79% | | 77% | 81% | | 81% |
| Operating expenses | | 7,092 | | 7,546 | | 9,369 | 14,638 | | 19,260 |
| Operating income (loss) | \$ | 1,021 | \$ | 508 | \$ | 370 | \$ 1,529 | \$ | 74 |
| Adjusted EBITDA | \$ | 1,266 | \$ | 754 | \$ | 707 | \$ 2,020 | \$ | 519 |
| Games | | | | | | | ····· | | |
| Net revenue | \$ | 17,363 | \$ | 19,108 | \$ | 25,300 | \$ 36,471 | \$ | 53,359 |
| Cost of revenue | • | 5,572 | • | 6,661 | • | 8,040 | 12,233 | • | 16,574 |
| Gross profit | *************************************** | 11,791 | | 12,447 | | 17,260 | 24,238 | | 36,785 |
| Gross margin | | 68% | | 65% | | 68% | 66% | | 69% |
| Operating expenses | | 13,093 | | 13,430 | | 15,211 | 26,523 | | 32,025 |
| Operating income (loss) | \$ | (1,302) | \$ | (983) | \$ | 2,049 | \$ (2,285) | \$ | 4,760 |
| Adjusted EBITDA | \$ | (619) | \$ | (324) | \$ | 2,748 | \$ (943) | \$ | 6,088 |
| Corporate | | | | | | | | *************************************** | |
| Net revenue | \$ | - | \$ | - | \$ | _ | s - | \$ | _ |
| Cost of revenue | | 909 | | 833 | | 295 | 1,742 | | 1,303 |
| Gross profit | | (909) | | (833) | | (295) | (1,742) | | (1,303) |
| Gross margin | | N/A | | N/A | | N/A | N/A | | N/A |
| Gain on sale of patents and other technology assets, net of costs | | 117,933 | | (1,580) | | _ | 116,353 | | _ |
| Operating expenses | | 16,715 | | 17,455 | | 14,116 | 34,170 | | 28,926 |
| Operating income (loss) | \$ | 100,309 | \$ | (19,868) | \$ | (14,411) | \$ 80,441 | \$ | (30,229) |
| Adjusted EBITDA | \$ | (13,784) | \$ | (12,247) | \$ | (11,133) | \$ (26,031) | \$ | (17,003) |
| Total | ************ | | | | | | | | |
| Net revenue | \$ | 65,526 | \$ | 66,964 | \$ | 83,752 | \$ 132,490 | \$ | 171,053 |
| Cost of revenue | _ | 25,962 | | 27,427 | | 30,666 | 53,389 | •••• | 62,732 |
| Gross profit | | 39,564 | | 39,537 | | 53,086 | 79,101 | | 108,321 |
| Gross margin | | 60% | | 59% | | 63% | 60% | | 63% |
| Gain on sale of patents and other technology assets, net of costs | | 117,933 | | (1,580) | | • | 116,353 | | - |
| Operating expenses | | 53,329 | _ | 56,499 | _ | 57,870 | 109,828 | _ | 118,771 |
| Operating income (loss) | \$ | 104,168 | \$ | (18,542) | \$ | (4,784) | \$ 85,626 | \$ | (10,450) |
| Adjusted EBITDA | \$ | (6,509) | \$ | (7,417) | \$ | 2,222 | \$ (13,926) | \$ | 9,764 |

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

| | ~~~~ | 201 | | | 2011 | | 2012 | | | 2011 |
|--|---------------------------|-----------------|------------|----------|-------|----------|------|----------------|----|---------|
| | <u> </u> | Q2 | | Q1 | | Q2 | | YTD | _ | YTD |
| | | | | | n tho | usands) | | | | |
| Core Products | | | | | | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITDA | A by reporting segm | ent: | | | | | | | | |
| Operating income (loss) | \$ | 4,140 | \$ | 1,801 | s | 7,208 | \$ | 5,941 | \$ | 14,945 |
| Acquisitions related intangible asset amortization | | 786 | | 802 | | 710 | | 1,588 | | 1,184 |
| Depreciation and amortization | | 1.702 | | 1.797 | | 1.982 | | 3.499 | | 4,031 |
| Adjusted EBITDA | \$ | 6,628 | \$ | 4,400 | \$ | 9,900 | \$ | 11,028 | \$ | 20,160 |
| Emerging Products | | | | | | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITD/ | A by reporting segm | ent: | | | | | | | | |
| Operating income (loss) | \$ | 1,021 | \$ | 508 | \$ | 370 | s | 1,529 | s | 74 |
| Acquisitions related intangible asset amortization | Ÿ | 79 | Ψ | 79 | Ţ | 53 | • | 158 | ٠ | 53 |
| Depreciation and amortization | | 166 | | 167 | | 284 | | 333 | | 392 |
| Adjusted EBITDA | \$ | 1,266 | \$ | 754 | \$ | 707 | \$ | 2,020 | \$ | 519 |
| Games | | | | | | | | | | |
| | 1 by reporting earn | ant. | | | | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITD. Operating income (loss) | a by reporting segm \$ | ent: (1,302) | \$ | (983) | s | 2.049 | \$ | (2,285) | \$ | 4,760 |
| Acquisitions related intangible asset amortization | • | 207 | • | 209 | 3 | 256 | Φ | (2,200) 416 | 9 | 510 |
| Depreciation and amortization | | 476 | | 450 | | 443 | | 926 | | 818 |
| Adjusted EBITDA | \$ | (619) | S | (324) | \$ | 2,748 | \$ | (943) | \$ | 6.088 |
| Adjusted Cotton | • | (0.19) | 3 | (324) | Ф | 2,140 | -J | (943) | 3 | 0,000 |
| Corporate | | | | | | | | | | |
| Reconciliation of segment GAAP operating income (loss) to adjusted EBITD | A by reporting segm | ent: | | | | | | | | |
| Operating income (loss) | \$ | 100,309 | \$ | (19,868) | \$ | (14,411) | s | 80,441 | 5 | (30,229 |
| Other income (expense), net | * | (49) | • | 1,475 | • | (311) | • | 1,426 | • | (433 |
| Depreciation and amortization | | 628 | | 614 | | 569 | | 1,242 | | 1,128 |
| Restructuring and other charges | | 1,539 | | 1,609 | | 508 | | 3,148 | | 7,412 |
| Stock-based compensation | | 1,722 | | 2,343 | | 2.686 | | 4,065 | | 5,293 |
| Gain on sale of patents and other technology assets, net of costs | | (117,933) | | 1,580 | | 2,000 | | (116,353) | | 3,233 |
| Loss (Gain) on excess office facilities | | (117,533) | | 1,500 | | (174) | | (110,555) | | (174 |
| Adjusted EBITDA | \$ | (13,784) | \$ | (12,247) | \$ | (11,133) | \$ | (26,031) | \$ | (17,003 |
| Total | | | ********** | | | | _ | | | |
| Reconciliation of GAAP operating income (loss) to adjusted EBITDA: | | | | | | | | | | |
| Operating income (loss) | \$ | 104,168 | \$ | (18,542) | \$ | (4,784) | \$ | 85,626 | \$ | (10,450 |
| Other income (expense), net | | (49) | | 1,475 | | (311) | | 1,426 | | (433 |
| Acquisitions related intangible asset amortization | | 1,072 | | 1,090 | | 1,019 | | 2,162 | | 1,747 |
| Depreciation and amortization | | 2,972 | | 3,028 | | 3,278 | | 6,000 | | 6,369 |
| Loss (Gain) on excess office facilities | | - | | - | | (174) | | - | | (174 |
| Restructuring and other charges | | 1,539 | | 1,609 | | 508 | | 3,148 | | 7,412 |
| Stock-based compensation | | 1,722 | | 2,343 | | 2,686 | | 4,065 | | 5,293 |
| Gain on sale of patents and other technology assets, net of costs | | (117,933) | | 1,580 | | | | (116,353) | | - |
| Adjusted EBITDA | <u> </u> | (6,509) | \$ | (7,417) | \$ | 2,222 | 5 | (13,926) | s | 9,764 |
| · representative i | 3 | (0,000) | Ψ | (,,,,,,) | 4 | -, | • | (.0,020) | ٠ | 5,, 5 |