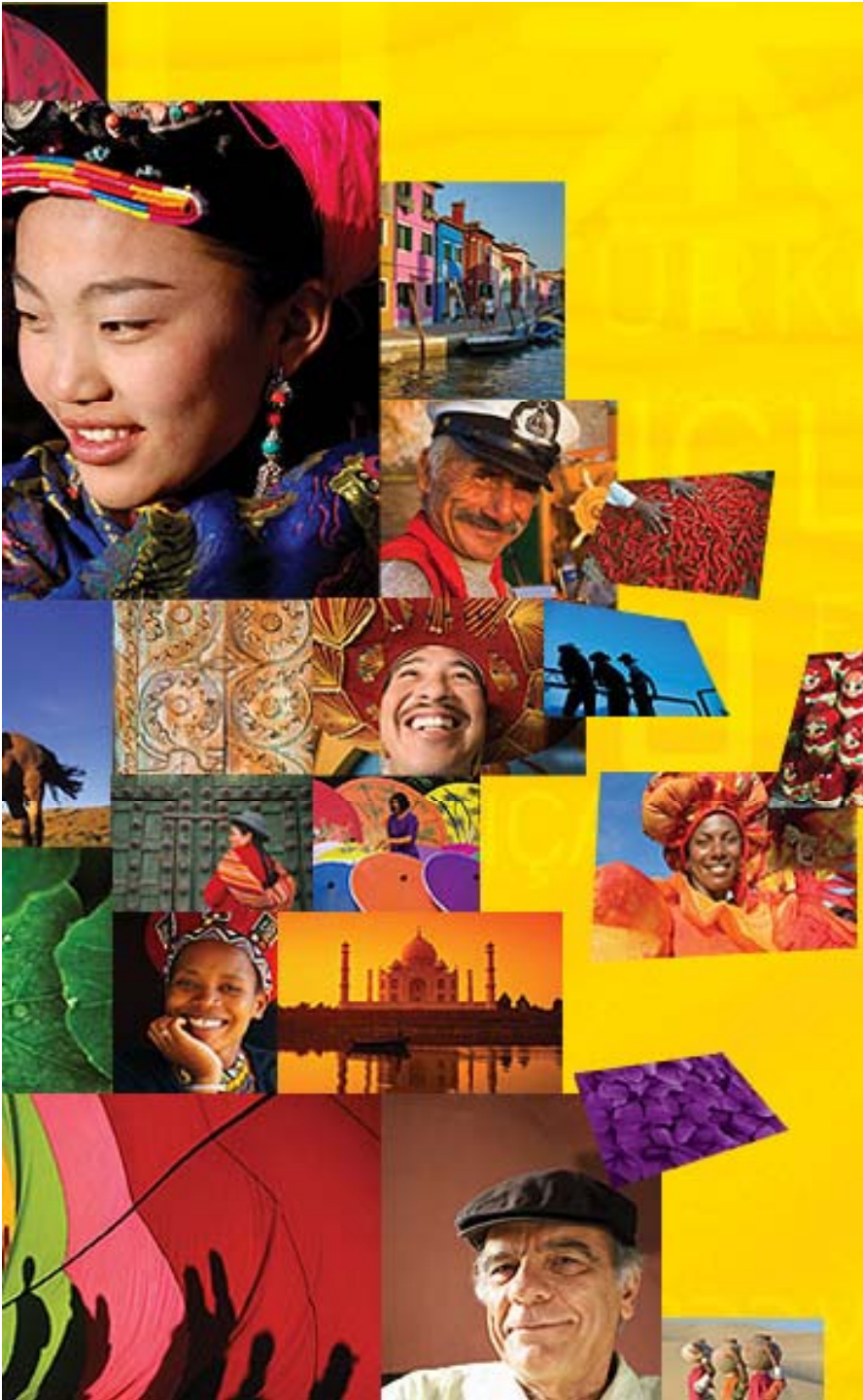


Fourth Quarter and Full-Year Results

February 28, 2011



Reminder

Our presentation today contains forward-looking statements about our plans for development and release of new products and for business expansion, as well as other subjects. These statements relate to future events and involve known and unknown risks and uncertainties that may cause our actual results to be materially different from those expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements because they involve factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Factors that could materially affect actual results include those listed under the caption “Risk Factors” of Rosetta Stone’s Form 10-K dated March 10, 2010. We encourage you to review those factors before making any investment decision. Today’s presentation and discussion reflect our views as of February 28, 2011, and Rosetta Stone assumes no duty to update the information.

Today’s presentation and discussion also contains references to non-GAAP financial measures. The full definition and reconciliation of those measures is available in our Form 8-K filed with the SEC on February 28, 2011. Management uses these non-GAAP measures to compare the company's performance to that of prior periods for trend analyses, for purposes of determining executive incentive compensation, and for budgeting and planning purposes. Management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends. Our definitions of non-GAAP measures may not be comparable to the definitions used by other companies, and we encourage you to review and understand all our financial reporting before making any investment decision.



Tom Adams
President and CEO

February 28, 2011

Overview

- **Strong international growth**
- **Strong institutional growth**
- **Challenges in US consumer**
- **Continued positive free cash flow¹**
- **Successful launch of Version 4 TOTALE**

1. "Free cash flow" is defined as cash provided by operations less cash used for purchases of property and equipment

Financial Highlights

<i>US\$ millions</i>	Q4 10		2010	
Bookings¹	\$ 81.8	+ 6%	\$ 279.9	+ 7%
Int'l consumer bookings	15.2	+ 93%	43.2	+ 146%
WW institutional bookings	14.4	+ 37%	62.9	+ 18%
US consumer bookings	52.2	- 11%	173.8	- 9%
Revenue	74.3	- 5%	258.9	+ 3%
Net income	\$ 5.0	- 59%	\$ 13.3	- 1%
Operating EBITDA²	13.4	- 34%	44.7	-24%
Operating EBITDA/bookings	16%	↓	16%	↓
Free cash flow³	\$ 12.5		\$ 23.5	

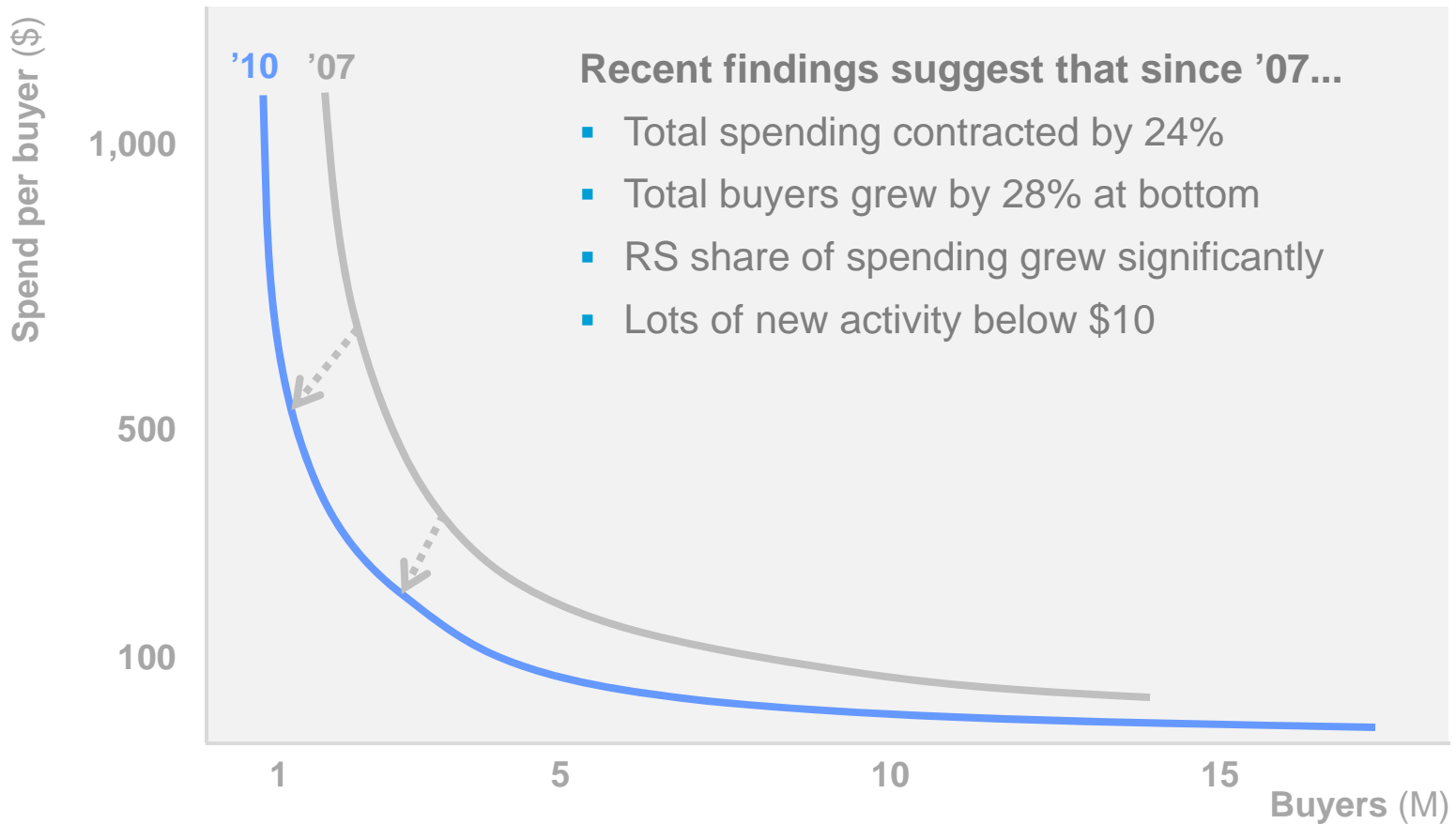
1. "Bookings" are defined as executed sales contracts received by company that are recorded immediately either as revenue or as deferred revenue.

2. "Operating EBITDA" equals GAAP net income or loss plus interest expense, income tax expense, depreciation, amortization, stock-based compensation expenses and change in deferred revenue.

3. "Free cash flow" is defined as cash provided by operations less cash used for purchases of property and equipment.

U.S. Consumer Market is changing

U.S. consumer demand curve (illustrative)



Note: GRAPH LINES FOR ILLUSTRATIVE PURPOSES ONLY; NOT TO SCALE

Source: Rosetta Stone; Nielsen

Rosetta Stone Inc. © 2011

Three long-term growth drivers

1

More Targeted Approach

- Specific markets
- Targeted content
- New delivery
- Relevant pricing

Attract more users in more segments

2

Greater Lifetime Value

- Subscriptions
- Online community
- Institutions
- Serious learners

Capture revenue over time from learners

3

Global Scale

- Global brand and principles
- Local leadership
- New business model

Scale and grow share in largest markets

X

X

=

Sustainable long-term profit growth

Three elements of sustainability

1

Embrace new technology trends

- Tablets
- Smart phones
- Online Community
- Casual gaming

Leverage new technology to stay relevant

2

Optimize efficacy of our solutions

- Optimize content efficiency
- Develop higher frequency of socialization

Continuously improve solutions for learner results

3

Strengthen our leading brand

- Elevate with more emotional message
- Engage in social media
- Reduce most pushy aspects of current marketing

Elevate and engage with the brand

X

X

=

Sustainable long-term profit growth

Key Objectives for 2011

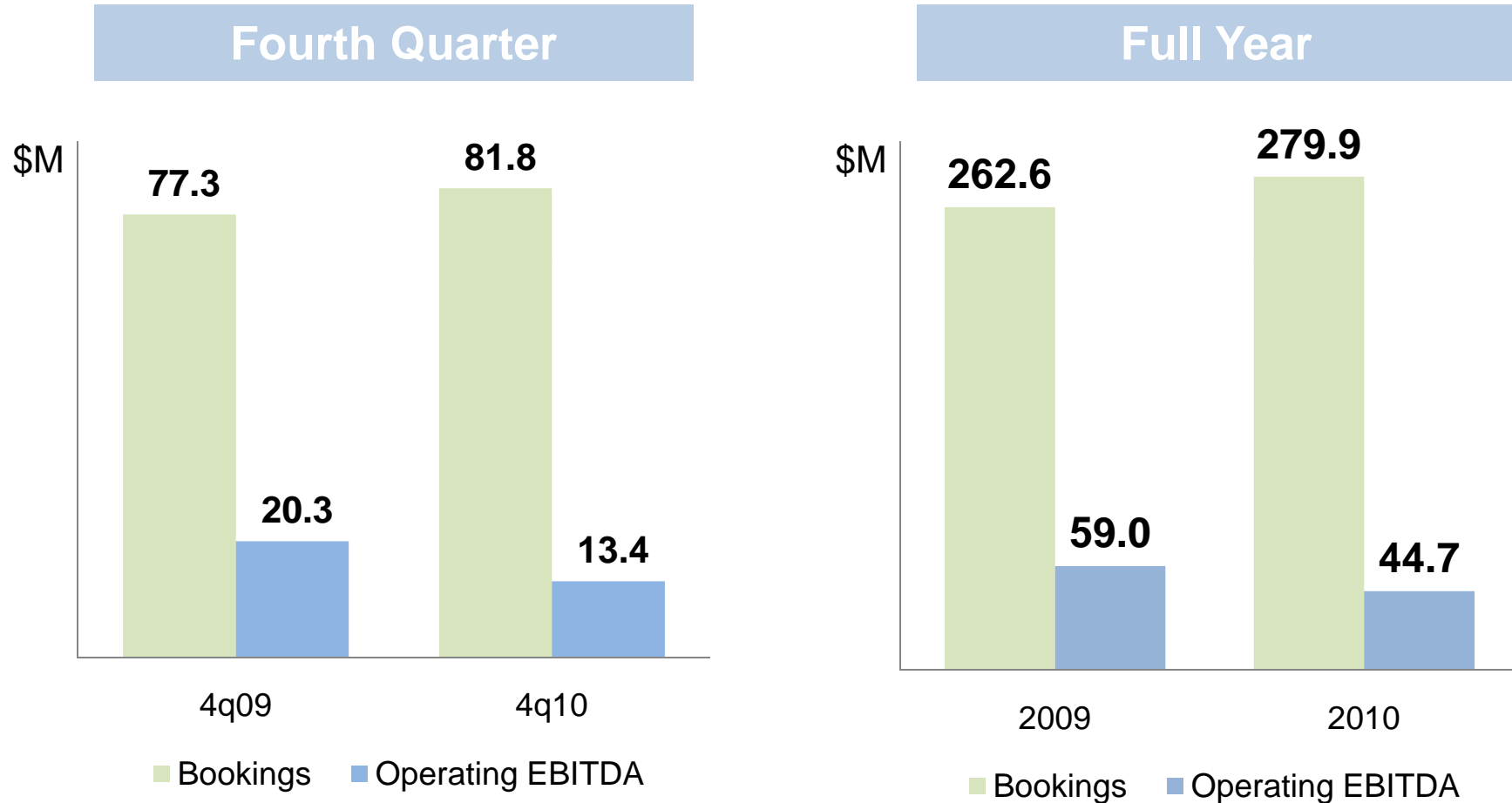
- **Conversation solution for helping Asian English learners**
- **US Consumer repositioning**
 - **Segmented approach in marketing and product**
 - **Brand elevation and renewal with targeted messages**
 - **Rationalized distribution and new delivery platforms**
 - **Rationalized cost structure**
- **Institutional expansion and development**
- **New market entries (including China or Brazil)**
- **Positive free cash flow for FY2011**



Steve Swad
Chief Financial Officer

February 28, 2011

Bookings⁽¹⁾ and Operating EBITDA⁽²⁾



1. "Bookings" are defined as executed sales contracts received by company that are recorded immediately either as revenue or as deferred revenue.

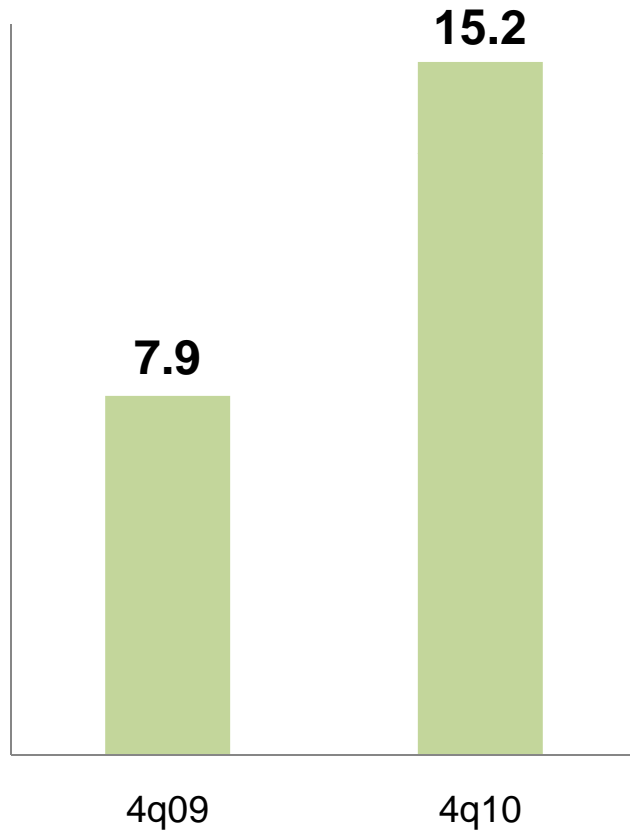
2. "Operating EBITDA" equals GAAP net income or loss plus interest expense, income tax expense, depreciation, amortization, stock-based compensation expenses and change in deferred revenue.

International represents significant opportunity

International Consumer Bookings

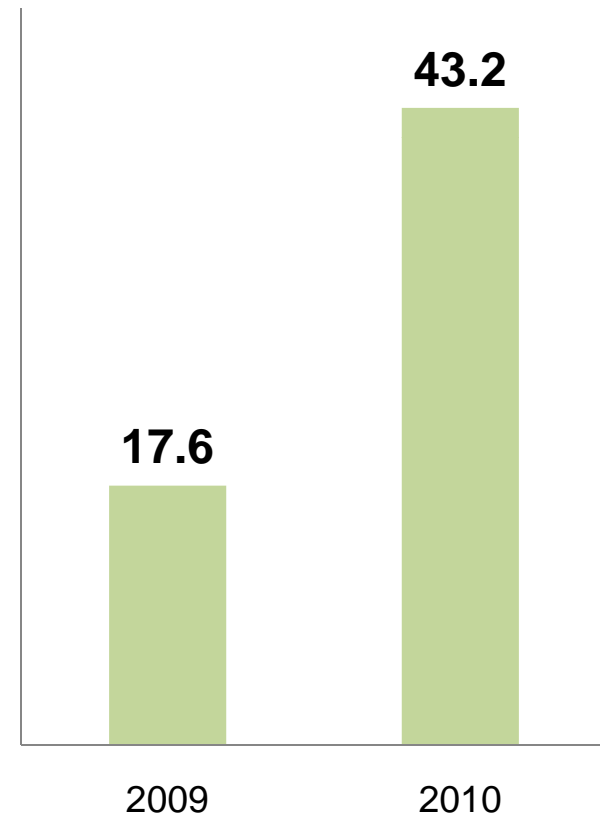
Fourth Quarter

\$M



Full Year

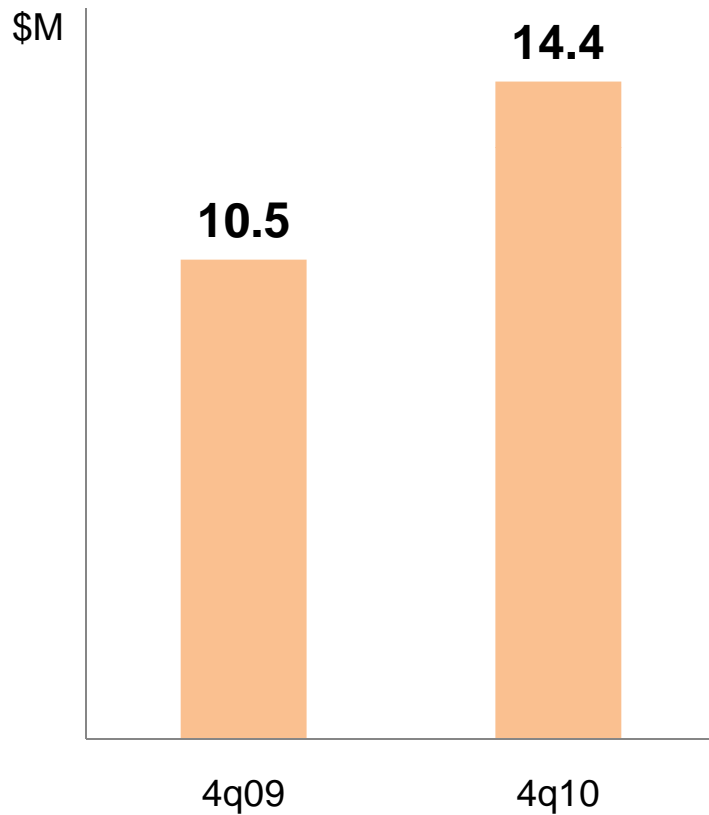
\$M



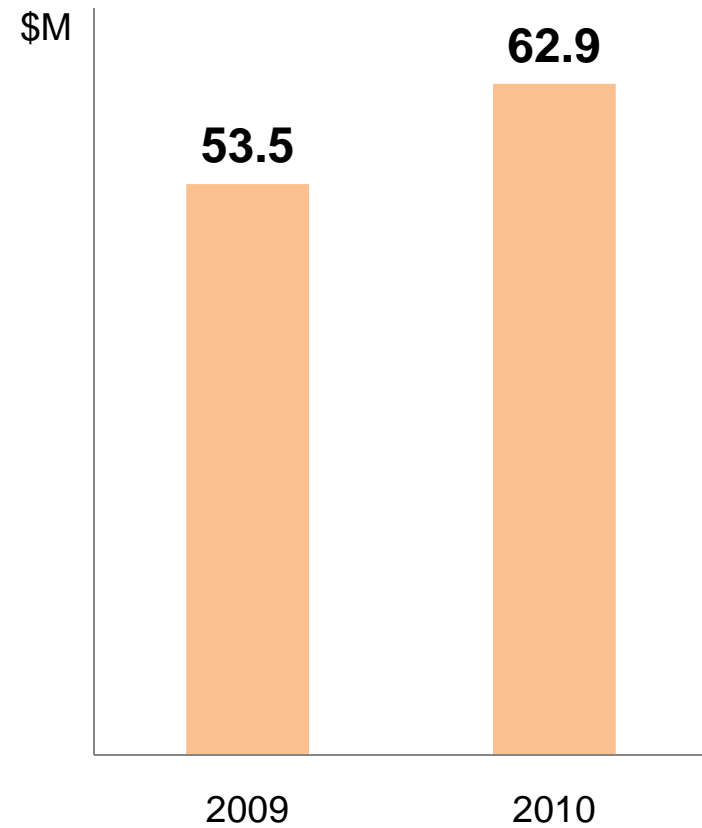
Growing institutional business

Worldwide Institutional Bookings

Fourth Quarter



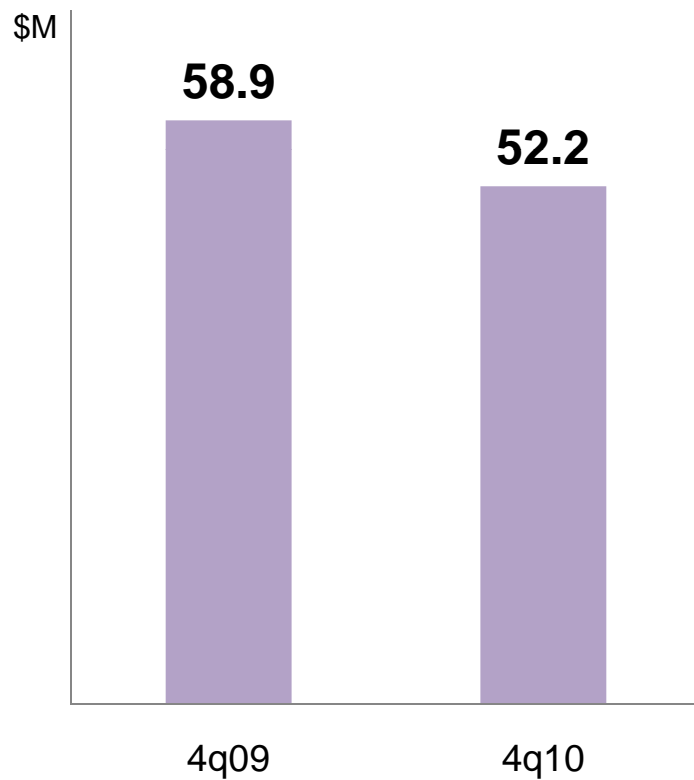
Full Year



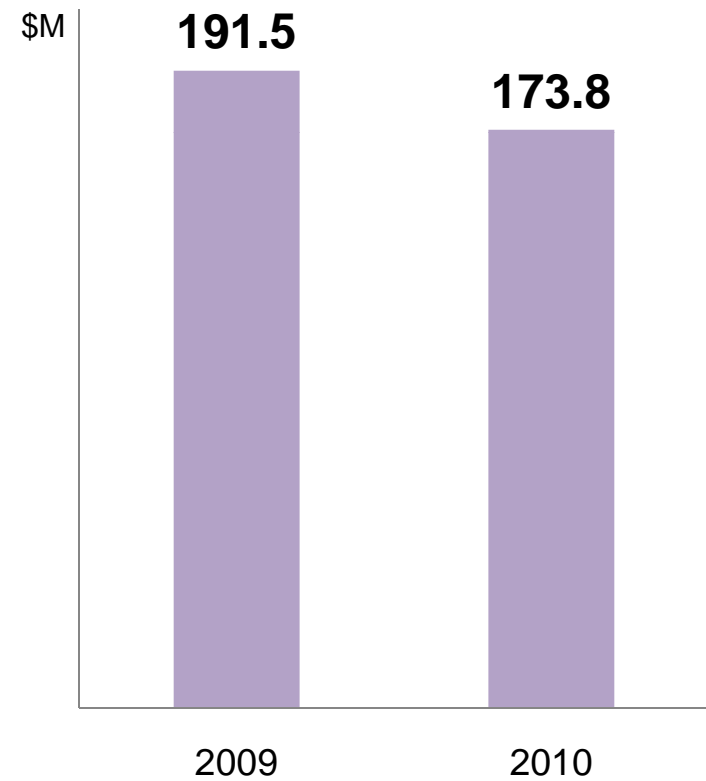
Reaching U.S. consumers

US Consumer Sales Bookings

Fourth Quarter

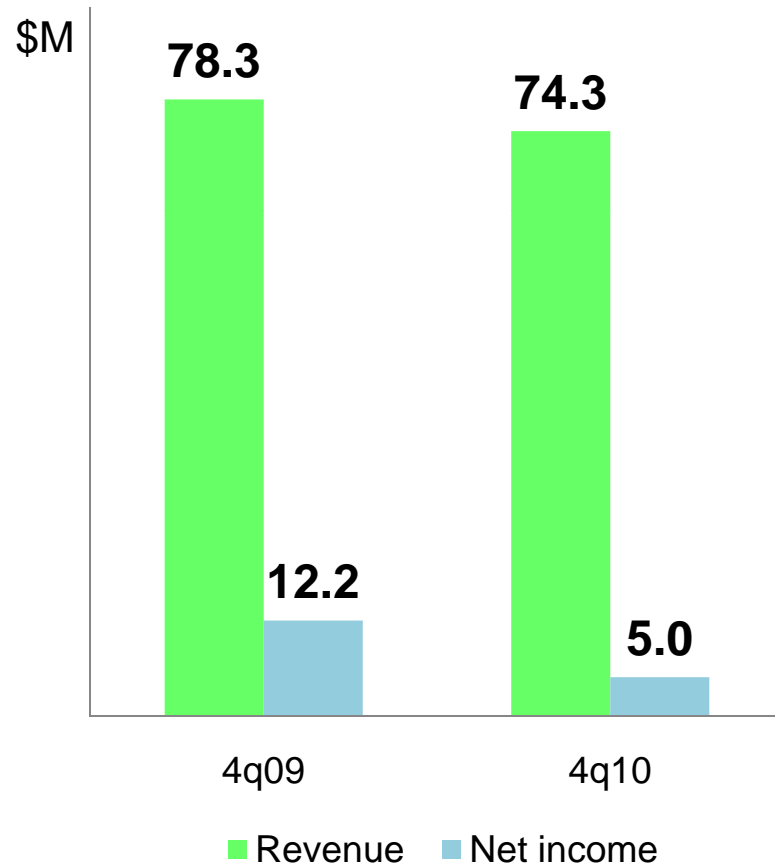


Full Year

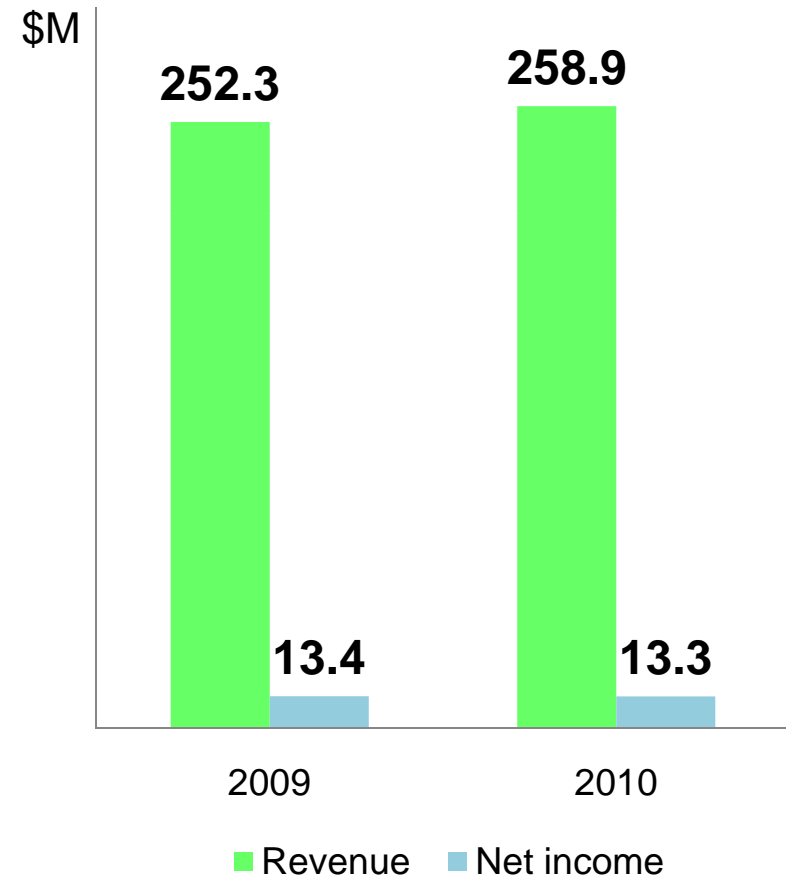


Revenue and Net Income

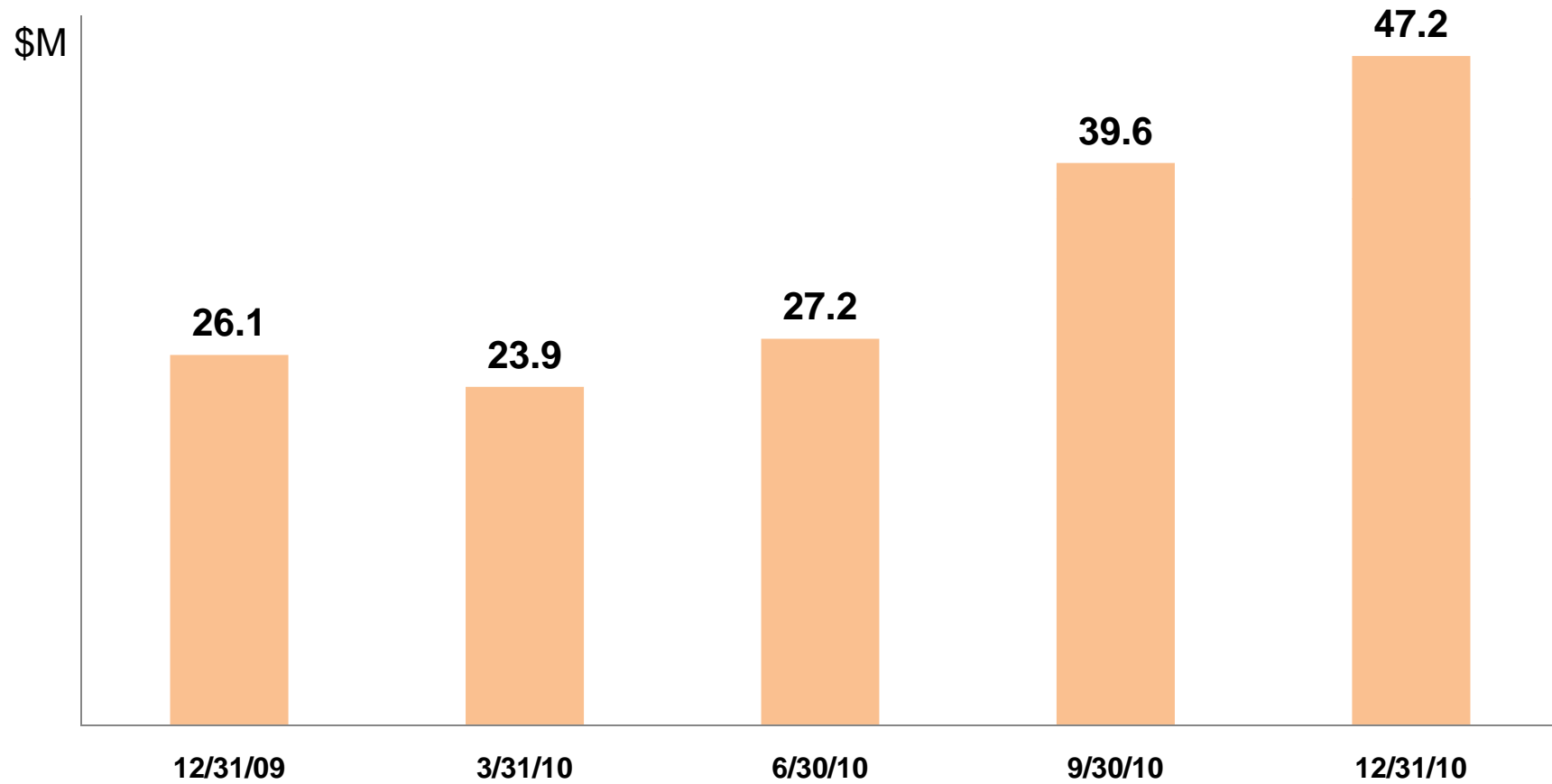
Fourth Quarter



Full Year



Deferred Revenue



Strong Balance Sheet and Cash Flow

\$M	12/31/2009	12/31/2010
Cash, cash equivalents & short-term investments	\$ 95.2	\$ 122.2
Accounts receivable, net	37.4	48.1
Total assets	<u>225.4</u>	<u>274.3</u>
Deferred revenue	26.1	47.2
Total debt	-	-
Total liabilities	<u>69.0</u>	<u>95.9</u>
Total liabilities and stockholders' equity	<u>\$ 225.4</u>	<u>\$ 274.3</u>
Full-year free cash flow¹	\$ 32.7	\$ 23.5

(1) Free cash flow is defined as cash generated by operating activities less cash used for purchases of property and equipment (cap ex)

Financial Outlook – Q1 2011

	1Q11 Guidance
Sales bookings¹	\$52M to \$56M
US Consumer	- 25-30%
International Consumer plus Worldwide Institutional	+ 20-30%
Revenue	\$54M to \$58M
Net Income/(Loss)	\$(10)M to \$(7)M
Earnings/(Loss) per share	(48)¢ to (34)¢
Operating EBITDA²	\$(14)M to \$(10)M
Basic shares outstanding	20.7M

1. "Sales bookings" are defined as executed sales contracts received by company that are recorded immediately either as revenue or as deferred revenue.

2. "Operating EBITDA" equals GAAP net income or loss plus interest expense, income tax expense, depreciation, amortization, stock-based compensation expenses and change in deferred revenue.

Financial Outlook – FY2011

- Total sales bookings¹ increase over 2010
 - Growth of 40 to 50% in combined sales bookings from International consumer and worldwide Institutional consumers
 - Lower sales bookings from US consumers
- Revenue expected to increase over 2010
- Operating income and Operating EBITDA² expected to decline compared to 2010
- Positive free cash flow in 2011

1. "Sales bookings" are defined as executed sales contracts received by company that are recorded immediately either as revenue or as deferred revenue.

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