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

	Quarters Ended December 31,				Years Ended December 31,			
	2005			2004	2005		2004	
				(in thousands, e	except per s	hare data)		
Net revenue	\$	83,568	\$	72,546	\$	325,059	\$	266,719
Cost of revenue		23,976		23,925		98,249		92,207
Loss on content agreement		<u>-</u>		<u>-</u>				4,938
Gross profit		59,592		48,621		226,810		169,574
Operating expenses:								
Research and development		25,335		13,091		70,631		51,607
Sales and marketing		36,706		26,608		130,515		96,779
General and administrative		29,573		7,914		50,669		31,302
Loss on excess office facilities (A)		-		-		-		866
Stock-based compensation		19		71		128		695
Subtotal operating expenses		91,633		47,684		251,943		181,249
Antitrust litigation (settlement) expenses (B)		(434,425)		2,997		(422,500)		11,048
Total operating expenses		(342,792)		50,681		(170,557)		192,297
Operating income (loss)		402,384		(2,060)		397,367		(22,723)
Other income (expense), net:								
Interest income, net		7,012		1,602		14,511		4,452
Equity in net loss of MusicNet		_		(955)		(1,068)		(4,351)
Impairment of equity investments (C)		(266)		=		(266)		(450)
Gain on sale of equity investments		-		-		19,330		-
Other, net		(55)		606		(331)		597
Other income (expense), net		6,691		1,253		32,176		248
Income (loss) before income taxes		409,075		(807)		429,543		(22,475)
Income tax provision		(113,435)		(165)		(117,198)		(522)
Net income (loss)	\$	295,640	\$	(972)	\$	312,345	\$	(22,997)
Basic net income (loss) per share	\$	1.76	\$	(0.01)	\$	1.84	\$	(0.14)
Diluted net income (loss) per share	\$	1.61	\$	(0.01)	\$	1.70	\$	(0.14)
Shares used to compute basic net income (loss) per share		167,573		170,039		169,986		168,907
Shares used to compute diluted net income (loss) per share		183,728		170,039		184,161		168,907

⁽A) The loss on unoccupied excess office facilities represents the loss from rent payments over the remaining life of certain leased facilities and amounts related to the write-off of certain leasehold improvements.

⁽B) Consists of amounts received under the Settlement and Commercial agreements with Microsoft, net of certain legal fees, personnel costs, public relations and other professional service fees incurred related to antitrust complaints against Microsoft, including proceedings in the European Union.

⁽C) Relates to other-than-temporary declines in the value of certain equity investments. These charges were recorded to reflect these investments at their estimated fair value.

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

(* *****	De	cember 31,	Dec	cember 31,
		2005		2004
ASSETS		(in tho	usands)	
Current assets:				
Cash, cash equivalents and short-term investments	\$	781,327	\$	363,621
Trade accounts receivable, net of allowances for doubtful				
accounts and sales returns		16,721		14,501
Deferred tax assets, net, current portion		54,204		-
Prepaid expenses and other current assets		11,933		8,196
Total current assets		864,185		386,318
Equipment and leasehold improvements, at cost:				
Equipment and software		56,402		45,324
Leasehold improvements		27,964		25,015
Total equipment and leasehold improvements		84,366		70,339
Less accumulated depreciation and amortization		51,228		41,508
Net equipment and leasehold improvements	-	33,138	-	28,831
Restricted cash equivalents		17,300		20,151
Notes receivable from related parties		-		106
Equity investments		46,163		36,588
Goodwill, net		123,330		119,217
Other intangible assets, net		7,337		8,383
Deferred tax assets, net, non-current portion		19,147		-
Other assets		2,397		2,908
Total assets	\$	1,112,997	\$	602,502
LIABILITIES AND SHAREE	IOLDERS	s' EQUITY		
Current liabilities:				
Accounts payable	\$	11,397	\$	10,219
Accrued and other liabilities		112,340		50,033
Deferred revenue, current portion		25,021		30,307
Accrued loss on excess office facilities and content				
agreement, current portion		4,623		8,160
Total current liabilities		153,381	-	98,719
Deferred revenue, non-current portion Accrued loss on excess office facilities and content		276		548
agreement, non-current portion		13,393		19,017
Deferred rent		4,018		3,413
Convertible debt		100,000		100,000
Other long-term liabilities		196		-
Total shareholders' equity		841,733		380,805
Total liabilities and shareholders' equity	\$	1,112,997	\$	602,502
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RealNetworks, Inc. and Subsidiaries Supplemental Financial Information (Unaudited)

		2005					2004				
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
	(in thousands)										
Net Revenue by Line of Business: *											
Consumer products and services (A)	\$	73,415	71,750	70,593	64,206	61,541	56,034	53,743	47,025		
Business products and services (B)		10,153	10,483	12,093	12,366	11,005	12,276	11,730	13,365		
Total net revenue	\$	83,568	82,233	82,686	76,572	72,546	68,310	65,473	60,390		
Consumer Products and Services:											
Subscriptions (C)	S	47,508	47,347	47.817	44.400	42.722	38.386	35,459	32.073		
E-commerce and other (D)		25,907	24,403	22,776	19,806	18,819	17,648	18,284	14,952		
Total consumer products and services revenue	\$	73,415	71,750	70,593	64,206	61,541	56,034	53,743	47,025		
Consumer Products and Services: *											
Music (E)	s	26,104	25,042	24,135	22,243	20,252	18,040	14,954	11,940		
Video, consumer software and other (F)		22,616	23,642	24,607	24,154	25,169	23,619	23,715	24,289		
Games (G)		15,741	14,699	13,648	12,189	10,330	9,098	8,352	6,755		
Media Properties (H)		8,954	8,367	8,203	5,620	5,790	5,277	6,722	4,041		
Total consumer products and services revenue	\$	73,415	71,750	70,593	64,206	61,541	56,034	53,743	47,025		
Net Revenue by Geography:											
United States	s	65,177	63,478	63,443	57,757	55,608	52,054	50,949	43,963		
Rest of world		18,391	18,755	19,243	18,815	16,938	16,256	14,524	16,427		
Total net revenue	\$	83,568	82,233	82,686	76,572	72,546	68,310	65,473	60,390		
Gross Margin by Line of Business: **											
Consumer products and services		70%	68%	68%	65%	64%	59%	63%	58%		
Business products and services		81%	82%	83%	82%	82%	83%	83%	83%		
Total gross margin		71%	70%	70%	68%	67%	64%	67%	56%		
Subscribers (presented as greater than) ***											
Total ****		2,250	2,200	2,000	1,850	1,550	1,550	1,400	1,300		
Music		1,425	1,300	1,150	975	700	625	550	450		

- (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 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 stand-alone subscriptions
- (D) Revenue is derived from RealPlayer Plus and related products, sales and distribution of third party software products, content such as games and music, and advertising
- (E) Revenue is derived from RadioPass, Rhapsody subscription services and sales of music content, advertising generated from our music and music related websites and the distribution of third party products
- (F) Revenue is derived from SuperPass subscriptions, RealPlayer Plus and related products, stand-alone subscription services and sales of third party software products
- (G) Revenue is derived from the GamePass subscription service, sales of games, advertising generated from our games and game-related websites and the distribution of third party products
- (H) Revenue is derived from non-game and non-music related advertising and distribution of third party products

^{*}Reclassifications were made to the presentation of 2004 data to conform to the presentation for 2005
**For the quarter ended March 31, 2004, total gross margin includes loss on content agreement of \$4.9 million
***Beginning the quarter ended March 31, 2005, total and music subscribers reflect the inclusion of subscribers that registered for the Comcast Rhapsody Radio Plus service
****Total subscribers as of March 31, 2004 reflect the removal of approximately 142,000 subscribers resulting from the non-renewal of the MLB contract

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

A reconciliation of Generally Accepted Accounting Principles ("GAAP") net income (loss) to income (loss) before interest, taxes, depreciation, amortization and stock compensation ("EBITDA") and EBITDA excluding antitrust litigation and loss on content agreement is as follows:

		Years	Ended				Quarters Ended		
	De	cember 31,	December 31,	December 31, 2005		September 30,	June 30, 2005	March 31, 2005	December 31, 2004
		2005	2004			2005			
	·					(in thousands)			
Net income (loss) in accordance with GAAP	s	312,345	(22,997)	\$	295,640	11,182	4,709	814	(972)
Interest income, net		(14,511)	(4,452)		(7,012)	(2,904)	(2,579)	(2,016)	(1,602)
Taxes		117,198	522		113,435	3,457	162	144	165
Depreciation, amortization and stock compensation		16,331	15,338		4,353	4,220	4,092	3,666	3,791
EBITDA		431,363	(11,589)		406,416	15,955	6,384	2,608	1,382