

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

	Quarters Ended March 31,	
	2007	2006
(in thousands, except per share data)		
Net revenue	\$ 129,472	\$ 86,602
Cost of revenue	45,943	26,753
Gross profit	83,529	59,849
Operating expenses:		
Research and development	23,479	18,099
Sales and marketing	49,700	36,083
General and administrative	17,354	13,226
Loss on excess office facilities (A)	-	738
Subtotal operating expenses	90,533	68,146
Antitrust litigation benefit, net (B)	(60,747)	(39,835)
Total operating expenses	29,786	28,311
Operating income	53,743	31,538
Other income (expenses):		
Interest income, net	9,102	7,979
Equity in net loss of investments	(132)	-
Other income	467	117
Other income, net	9,437	8,096
Income before income taxes	63,180	39,634
Income taxes	(23,219)	(14,751)
Net income	\$ 39,961	\$ 24,883
Basic net income per share	\$ 0.25	\$ 0.15
Diluted net income per share	\$ 0.22	\$ 0.14
Shares used to compute basic net income per share	161,350	160,887
Shares used to compute diluted net income per share	178,053	176,923

(A) The loss on unoccupied excess office facilities represents an increase in the estimate of loss from building operating costs that are not expected to be recovered.

(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.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(Unaudited)

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 511,212	\$ 525,232
Short-term investments	152,199	153,688
Trade accounts receivable, net	56,038	65,751
Deferred costs, current portion	3,298	1,643
Deferred tax assets, net, current portion	891	891
Prepaid expenses and other current assets	22,373	21,990
Total current assets	<u>746,011</u>	<u>769,195</u>
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	84,456	83,587
Leasehold improvements	30,271	29,665
Total equipment, software, and leasehold improvements	<u>114,727</u>	<u>113,252</u>
Less accumulated depreciation and amortization	<u>67,833</u>	<u>65,509</u>
Net equipment, software, and leasehold improvements	<u>46,894</u>	<u>47,743</u>
Restricted cash equivalents	15,500	17,300
Equity investments	17,835	22,649
Other assets	5,983	5,148
Deferred tax assets, net, non-current portion	27,150	27,150
Other intangible assets, net	100,507	105,109
Goodwill	310,735	309,122
Total assets	<u>\$ 1,270,615</u>	<u>\$ 1,303,416</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 40,795	\$ 52,097
Accrued and other liabilities	116,379	104,328
Deferred revenue, current portion	26,793	24,137
Accrued loss on excess office facilities, current portion	4,522	4,508
Total current liabilities	188,489	185,070
Deferred revenue, non-current portion	3,468	3,440
Accrued loss on excess office facilities, non-current portion	9,036	9,993
Deferred rent	4,388	4,331
Deferred tax liabilities, net, non-current portion	23,132	27,076
Convertible debt	100,000	100,000
Other long-term liabilities	7,425	3,740
Total liabilities	<u>335,938</u>	<u>333,650</u>
Total shareholders' equity	<u>934,677</u>	<u>969,766</u>
Total liabilities and shareholders' equity	<u>\$ 1,270,615</u>	<u>\$ 1,303,416</u>

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

	Quarters Ended March 31,	
	2007	2006
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 39,961	\$ 24,883
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,933	4,252
Stock-based compensation	5,685	3,638
Equity in net loss of investments	132	-
Loss on disposal of equipment, software, and leasehold improvements	41	77
Excess tax benefit from stock option exercises	(294)	-
Accrued loss on excess office facilities	(943)	(702)
Deferred income taxes	(3,944)	12,882
Other	26	29
Net change in certain assets and liabilities, net of acquisitions	11,492	(47,088)
Net cash provided by (used in) operating activities	<u>62,089</u>	<u>(2,029)</u>
Cash flows from investing activities:		
Purchases of equipment, software, and leasehold improvements	(3,839)	(2,568)
Purchases of short-term investments	(55,432)	(58,884)
Proceeds from sales and maturities of short-term investments	57,124	55,180
Purchases of intangible assets	(2,038)	-
Decrease in restricted cash equivalents	1,800	-
Cash used in acquisitions, net of cash acquired	-	(6,799)
Net cash used in investing activities	<u>(2,385)</u>	<u>(13,071)</u>
Cash flows from financing activities:		
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	3,776	7,614
Excess tax benefit from stock option exercises	294	-
Repurchase of common stock	(78,481)	(76,988)
Net cash used in financing activities	<u>(74,411)</u>	<u>(69,374)</u>
Effect of exchange rate changes on cash	<u>687</u>	<u>669</u>
Net decrease in cash and cash equivalents	(14,020)	(83,805)
Cash and cash equivalents, beginning of period	<u>525,232</u>	<u>651,971</u>
Cash and cash equivalents, end of period	<u>\$ 511,212</u>	<u>\$ 568,166</u>

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

	2007	2006			
	Q1	Q4	Q3	Q2	Q1
	(in thousands)				
Net Revenue by Line of Business:					
Consumer products and services (A)	\$ 85,040	\$ 88,022	\$ 82,497	\$ 77,442	\$ 74,811
Technology products and solutions (B)	44,432	37,552	11,179	11,967	11,791
Total net revenue	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
Consumer Products and Services:					
Subscriptions (C)	\$ 51,490	\$ 50,835	\$ 50,878	\$ 47,452	\$ 47,832
Media properties (D)	15,932	18,815	13,883	11,546	9,484
E-commerce and other (E)	17,618	18,372	17,736	18,444	17,495
Total consumer products and services revenue	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
Consumer Products and Services:					
Music (F)	\$ 34,127	\$ 33,623	\$ 30,375	\$ 30,118	\$ 28,918
Media software and services (G)	27,011	30,513	29,586	26,127	27,277
Games (H)	23,902	23,886	22,536	21,197	18,616
Total consumer products and services revenue	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
Net Revenue by Geography:					
United States	\$ 84,554	\$ 81,758	\$ 69,433	\$ 66,542	\$ 65,700
Rest of world	44,918	43,816	24,243	22,867	20,902
Total net revenue	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
Gross Margin by Line of Business:					
Consumer products and services	67%	70%	68%	68%	67%
Technology products and solutions	59%	58%	81%	81%	83%
Total gross margin	65%	66%	70%	70%	69%
Subscribers (presented as greater than) *					
Total Subscribers (I)	24,550	22,700	2,450	2,400	2,400
Technology Products and Solutions Application Services Subscribers (J)	21,900	20,200			
Total Music Subscribers (K)	2,675	2,550	1,650	1,625	1,575

*Beginning the quarter ended December 31, 2006, total subscribers reflect the inclusion of subscribers related to wireless carrier application subscription services. 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.

(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 stand-alone subscriptions.

(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.

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

(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, stand-alone subscription services, 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 GamePass subscription service, 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, GamePass, and stand-alone subscriptions.

(J) Technology Products and Solutions application service subscribers include: Ringback Tones, Music-on-Demand and Video-on-Demand.

(K) Music subscribers represent an aggregate of all of our music services and include both Technology Products and Solutions application services subscribers and consumer subscription services. Music subscribers include: Rhapsody, Rhapsody-to-Go, premium radio, and Music-on-Demand. Revenue from Technology Products and Solutions application services, including Music-on-Demand, are included in our Technology Products and Solutions revenue.

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

Reconciliation of GAAP net income to adjusted net income is as follows:

	Quarters Ended				
	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands, except per share data)				
Net income in accordance with GAAP	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Stock-based compensation	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	845	641	-	-	-
Acquisitions related intangible asset amortization*	5,312	3,530	569	445	727
Expenses (benefit) related to antitrust litigation:					
Income	(61,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	471	1,026	1,000	997	971
Charitable contributions	1,921	2,009	1,889	1,805	1,225
Tax impact of above pro forma items*	20,051	18,428	20,370	19,569	12,446
Change in income tax valuation allowance	(2,805)	(2,662)	-	-	-
Adjusted net income	<u>\$ 10,441</u>	<u>\$ 10,209</u>	<u>\$ 9,002</u>	<u>\$ 5,081</u>	<u>\$ 3,890</u>
GAAP basic net income per share	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.24	\$ 0.15
GAAP diluted net income per share	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.22	\$ 0.14
Adjusted basic net income per share*	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.03	\$ 0.02
Adjusted diluted net income per share*	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.03	\$ 0.02
Shares used to compute basic net income per share	161,350	162,130	160,578	159,938	160,887
Shares used to compute diluted net income per share	178,053	180,919	178,913	177,337	176,923

* 2006 results have been restated to include acquisition related intangible asset amortization and related tax impact to conform to the pro forma presentation for 2007.

Reconciliation of GAAP net income to adjusted EBITDA is as follows:

	Quarters Ended				
	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands)				
Net income in accordance with GAAP	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Interest income, net	(9,102)	(9,644)	(10,618)	(9,381)	(7,979)
Stock-based compensation	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	845	641	-	-	-
Depreciation and amortization	4,621	4,970	3,692	3,522	3,525
Acquisitions related intangible asset amortization	5,312	3,530	569	445	727
Expenses (benefit) related to antitrust litigation:					
Income	(61,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	471	1,026	1,000	997	971
Charitable contributions	1,921	2,009	1,889	1,805	1,225
Income taxes	23,219	19,357	25,908	22,521	14,751
Adjusted EBITDA	<u>\$ 11,933</u>	<u>\$ 9,126</u>	<u>\$ 7,614</u>	<u>\$ 2,174</u>	<u>\$ 1,741</u>

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

	Quarter Ended March 31, 2007					
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization (in thousands)	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted
Expenses in accordance with GAAP						
Cost of revenue	\$ 45,943	\$ (159)	\$ (2,144)	\$ (127)	\$ -	\$ 43,513
Operating expenses:						
Research and development	\$ 23,479	\$ (1,772)	\$ -	\$ (151)	\$ -	\$ 21,556
Sales and marketing	49,700	(2,387)	(3,168)	(349)	-	43,796
General and administrative	17,354	(1,367)	-	(218)	(2,139)	13,630
Antitrust litigation benefit, net	(60,747)	-	-	-	60,747	-
Total adjusted operating expenses, net	<u>\$ 29,786</u>	<u>\$ (5,526)</u>	<u>\$ (3,168)</u>	<u>\$ (718)</u>	<u>\$ 58,608</u>	<u>\$ 78,982</u>

	Quarter Ended March 31, 2006				
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization* (in thousands)	Antitrust Litigation Related	Adjusted
Expenses in accordance with GAAP					
Cost of revenue*	\$ 26,753	\$ (50)	\$ (381)	\$ -	\$ 26,322
Operating expenses:					
Research and development	\$ 18,099	\$ (1,369)	\$ -	\$ -	\$ 16,730
Sales and marketing*	36,083	(1,359)	(346)	-	34,378
General and administrative	13,226	(860)	-	(2,031)	10,335
Loss on excess office facilities	738	-	-	-	738
Antitrust litigation benefit, net	(39,835)	-	-	39,835	-
Total adjusted operating expenses, net*	<u>\$ 28,311</u>	<u>\$ (3,588)</u>	<u>\$ (346)</u>	<u>\$ 37,804</u>	<u>\$ 62,181</u>

* 2006 results have been restated to include acquisition related intangible asset amortization to conform to the pro forma presentation for 2007.

Forward Looking Guidance

A reconciliation of GAAP net income per diluted share guidance for the quarter ending June 30, 2007 and the full year ending December 31, 2007 to adjusted net income per diluted share guidance is as follows:

	Quarter Ending June 30, 2007		Year Ending December 31, 2007	
	Low	High	Low	High
Net income per diluted share in accordance with GAAP	\$ (0.01)	\$ 0.01	\$ 0.24	\$ 0.27
Stock based compensation	0.04	0.04	0.16	0.14
Conversion of WiderThan stock options to a cash equivalent	0.00	0.00	0.02	0.02
Acquisitions related intangible asset amortization	0.04	0.04	0.13	0.13
Net benefit related to antitrust litigation	-	-	(0.34)	(0.33)
Tax impact of above pro forma items	(0.03)	(0.03)	0.04	0.04
Change in income tax valuation allowance	-	-	(0.02)	(0.02)
Total adjusted net income	<u>\$ 0.04</u>	<u>\$ 0.06</u>	<u>\$ 0.23</u>	<u>\$ 0.25</u>