

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

	Quarters Ended	
	March 31,	March 31,
	2005	2004
	(in thousands, except per share data)	
Net revenue	\$ 76,572	\$ 60,390
Cost of revenue	24,737	21,761
Loss on content agreement	-	4,938
Gross profit	51,835	33,691
Operating expenses:		
Research and development	13,670	12,251
Sales and marketing	28,020	22,203
General and administrative	6,166	6,821
Antitrust litigation (A)	3,744	2,321
Stock-based compensation	36	266
Total operating expenses	51,636	43,862
Operating income (loss)	199	(10,171)
Other income (expense), net:		
Interest income, net	2,016	860
Equity in net loss of MusicNet	(1,066)	(1,115)
Other, net	(191)	90
Other income (expense), net	759	(165)
Income (loss) before income taxes	958	(10,336)
Income tax provision	(144)	(102)
Net income (loss)	\$ 814	\$ (10,438)
Basic net income (loss) per share	\$ 0.00	\$ (0.06)
Diluted net income (loss) per share	\$ 0.00	\$ (0.06)
Shares used to compute basic net income (loss) per share	170,947	166,961
Shares used to compute diluted net income (loss) per share	184,686	166,961

(A) Consists of 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)

	March 31, 2005	December 31, 2004
(in thousands)		
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 369,702	\$ 363,621
Trade accounts receivable, net of allowances for doubtful accounts and sales returns	14,959	14,501
Prepaid expenses and other current assets	7,028	8,196
Total current assets	391,689	386,318
Equipment and leasehold improvements, at cost:		
Equipment and software	48,368	45,324
Leasehold improvements	25,335	25,015
Total equipment and leasehold improvements	73,703	70,339
Less accumulated depreciation and amortization	43,766	41,508
Net equipment and leasehold improvements	29,937	28,831
Restricted cash equivalents	19,569	20,151
Investments	39,580	36,588
Goodwill, net	119,218	119,217
Other intangible assets, net	8,252	8,383
Other	2,959	3,014
Total assets	\$ 611,204	\$ 602,502

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 14,186	\$ 10,219
Accrued and other liabilities	54,985	50,033
Deferred revenue, excluding non-current portion	26,428	30,307
Accrued loss on excess office facilities and content agreement, excluding non-current portion	7,925	8,160
Total current liabilities	103,524	98,719
Deferred revenue, excluding current portion	352	548
Accrued loss on excess office facilities and content agreement, excluding current portion	17,391	19,017
Deferred rent	3,497	3,413
Convertible debt	100,000	100,000
Total shareholders' equity	386,440	380,805
Total liabilities and shareholders' equity	\$ 611,204	\$ 602,502

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Supplemental Financial Information
(Unaudited)

	2005		2004				2003			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
(in thousands)										
Net Revenue by Line of Business: *										
Consumer products and services (A)	\$ 64,206	61,541	56,034	53,743	47,025	41,679	36,377	33,172	32,886	
Business products and services (B)	12,366	11,005	12,276	11,730	13,365	12,377	15,432	16,474	13,980	
Total net revenue	\$ 76,572	72,546	68,310	65,473	60,390	54,056	51,809	49,646	46,866	
Consumer Products and Services:										
Subscriptions (C)	\$ 44,400	42,722	38,386	35,459	32,073	30,540	27,909	25,470	23,639	
E-commerce and other (D)	19,806	18,819	17,648	18,284	14,952	11,139	8,468	7,702	9,247	
Total consumer products and services revenue	\$ 64,206	61,541	56,034	53,743	47,025	41,679	36,377	33,172	32,886	
Consumer Products and Services: *										
Music (E)	\$ 22,243	20,252	18,040	14,954	11,940	7,937	4,655	1,670	831	
Video, consumer software and other (F)	24,154	25,169	23,619	23,715	24,289	26,369	26,235	27,555	28,485	
Games (G)	12,189	10,330	9,098	8,352	6,755	3,930	3,150	2,672	2,410	
Media Properties (H)	5,620	5,790	5,277	6,722	4,041	3,443	2,337	1,275	1,160	
Total consumer products and services revenue	\$ 64,206	61,541	56,034	53,743	47,025	41,679	36,377	33,172	32,886	
Net Revenue by Geography:										
United States	\$ 57,757	55,608	52,054	50,949	43,963	40,175	37,660	36,009	33,769	
Rest of world	18,815	16,938	16,256	14,524	16,427	13,881	14,149	13,637	13,097	
Total net revenue	\$ 76,572	72,546	68,310	65,473	60,390	54,056	51,809	49,646	46,866	
Gross Margin by Line of Business: **										
Consumer products and services	65%	64%	59%	63%	58%	55%	54%	61%	63%	
Business products and services	82%	82%	83%	83%	83%	83%	87%	88%	89%	
Total gross margin	68%	67%	64%	67%	56%	62%	64%	70%	71%	
Subscribers (presented as greater than) ****										
Total ***	1,850	1,550	1,550	1,400	1,300	1,300	1,150	1,000	1,000	
Music	975	700	625	550	450	350	250	150	100	

*Reclassifications were made to the presentation of prior periods in order to conform to the presentation for the quarter ended March 31, 2005

**For the quarter ended March 31, 2004, total gross margin includes loss on content agreement of \$4.9 million

***Total subscribers as of March 31, 2004 reflect the removal of approximately 142,000 subscribers resulting from the non-renewal of the MLB contract

****Total and music subscribers as of March 31, 2005 reflect the inclusion of subscribers that registered for the Comcast Rhapsody Radio Plus service

(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 and Rhapsody subscription services and sales of music content

(F) Revenue is derived from RealOne 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 and advertising generated from our games and game-related Web sites

(H) Revenue is derived from non-game related advertising and distribution of third party products

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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:

	Quarters Ended				
	March 31,	December 31,	September 30,	June 30,	March 31,
	2005	2004	2004	2004	2004
	(in thousands)				
Net income (loss) in accordance with GAAP	\$ 814	(972)	(6,969)	(4,618)	(10,438)
Interest income, net	(2,016)	(1,602)	(1,190)	(800)	(860)
Taxes	144	165	142	113	102
Depreciation, amortization and stock compensation	3,666	3,791	4,089	3,810	3,648
EBITDA	2,608	1,382	(3,928)	(1,495)	(7,548)
Antitrust litigation	3,744	2,997	2,974	2,756	2,321
Loss on content agreement	-	-	-	-	4,938
EBITDA excluding antitrust litigation and loss on content agreement	\$ 6,352	4,379	(954)	1,261	(289)

This reconciliation has been provided as a performance measure, as the Company uses EBITDA and EBITDA excluding antitrust litigation expense on an ongoing basis to track and assess its financial performance. The Company has calculated EBITDA excluding loss on content agreement because it believes that the loss on content agreement is an item that does not reflect the ongoing financial operations of the Company's business.

Forward Looking Guidance

A reconciliation of GAAP net income guidance for 2005 to EBITDA excluding antitrust litigation is as follows:

	Ranges for Year Ending	
	December 31, 2005	
	(in thousands)	
Net Income in accordance with GAAP	\$ 4,000	7,000
Antitrust litigation	16,000	16,000
Interest, taxes, depreciation and amortization	5,000	5,000
EBITDA excluding antitrust litigation	\$ 25,000	28,000