

**RealNetworks, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**

(Unaudited)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(in thousands, except per share data)			
Net revenue	\$ 136,171	\$ 89,409	\$ 265,643	\$ 176,011
Cost of revenue	49,199	26,646	95,142	53,399
Gross profit	86,972	62,763	170,501	122,612
Operating expenses:				
Research and development	25,005	18,684	48,484	36,783
Sales and marketing	50,081	37,961	99,781	74,044
General and administrative	17,063	14,317	34,417	27,543
Loss on excess office facilities (A)	-	-	-	738
Subtotal operating expenses	92,149	70,962	182,682	139,108
Antitrust litigation benefit, net (B)	-	(57,858)	(60,747)	(97,693)
Total operating expenses	92,149	13,104	121,935	41,415
Operating (loss) income	(5,177)	49,659	48,566	81,197
Other income (expenses):				
Interest and other, net	8,065	9,381	17,167	17,360
Gain on sale of equity investments	132	2,286	132	2,286
Equity in net loss of investments	-	-	(132)	-
Other income	485	73	952	190
Other income, net	8,682	11,740	18,119	19,836
Income before income taxes	3,505	61,399	66,685	101,033
Income taxes	(2,178)	(22,521)	(25,397)	(37,272)
Net income	\$ 1,327	\$ 38,878	\$ 41,288	\$ 63,761
Basic net income per share	\$ 0.01	\$ 0.24	\$ 0.26	\$ 0.40
Diluted net income per share	\$ 0.01	\$ 0.22	\$ 0.24	\$ 0.36
Shares used to compute basic net income per share	153,880	159,938	157,929	160,410
Shares used to compute diluted net income per share	169,033	177,337	173,822	177,127

(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>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 219,548	\$ 525,232
Short-term investments	394,215	153,688
Trade accounts receivable, net	79,354	65,751
Deferred costs, current portion	5,089	1,643
Deferred tax assets, net, current portion	927	891
Prepaid expenses and other current assets	21,720	21,990
Total current assets	<u>720,853</u>	<u>769,195</u>
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	94,038	83,587
Leasehold improvements	30,343	29,665
Total equipment, software, and leasehold improvements	<u>124,381</u>	<u>113,252</u>
Less accumulated depreciation and amortization	<u>72,829</u>	<u>65,509</u>
Net equipment, software, and leasehold improvements	51,552	47,743
Restricted cash equivalents	15,500	17,300
Equity investments	12,511	22,649
Other assets	5,412	5,148
Deferred tax assets, net, non-current portion	30,687	27,150
Other intangible assets, net	104,760	105,109
Goodwill	325,009	309,122
Total assets	<u>\$ 1,266,284</u>	<u>\$ 1,303,416</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 50,231	\$ 52,097
Accrued and other liabilities	108,013	104,328
Deferred revenue, current portion	37,233	24,137
Accrued loss on excess office facilities, current portion	4,132	4,508
Total current liabilities	199,609	185,070
Deferred revenue, non-current portion	2,757	3,440
Accrued loss on excess office facilities, non-current portion	8,574	9,993
Deferred rent	4,446	4,331
Deferred tax liabilities, net, non-current portion	24,580	27,076
Convertible debt	100,000	100,000
Other long-term liabilities	6,912	3,740
Total liabilities	<u>346,878</u>	<u>333,650</u>
Total shareholders' equity	<u>919,406</u>	<u>969,766</u>
Total liabilities and shareholders' equity	<u>\$ 1,266,284</u>	<u>\$ 1,303,416</u>

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

	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(in thousands)</b>	
Cash flows from operating activities:		
Net income	\$ 41,288	\$ 63,761
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	20,905	8,219
Stock-based compensation	11,307	7,311
Loss on disposal of equipment, software, and leasehold improvements	163	76
Equity in net loss of investments	132	-
Gain on sale of equity investments	(132)	(2,286)
Excess tax benefit from stock option exercises	(596)	-
Accrued loss on excess office facilities	(1,795)	(1,742)
Unrealized gain on securities	(2,102)	-
Deferred income taxes	(6,069)	35,246
Purchases of securities	(270,000)	-
Other	51	48
Net change in certain assets and liabilities, net of acquisitions	552	(50,651)
Net cash (used in) provided by operating activities	(206,296)	59,982
Cash flows from investing activities:		
Purchases of equipment, software, and leasehold improvements	(11,525)	(5,381)
Purchases of short-term investments	(38,768)	(102,853)
Proceeds from sales and maturities of short-term investments	70,343	86,422
Purchases of intangible assets	(2,060)	-
Proceeds from sale of equity investments	1,615	2,286
Purchase of equity investments	-	(450)
Decrease in restricted cash equivalents	1,800	-
Cash used in acquisitions, net of cash acquired	(25,351)	(7,086)
Net cash used in investing activities	(3,946)	(27,062)
Cash flows from financing activities:		
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	12,277	34,522
Excess tax benefit from stock option exercises	596	-
Repurchase of common stock	(107,905)	(96,972)
Net cash used in financing activities	(95,032)	(62,450)
Effect of exchange rate changes on cash	(410)	739
Net decrease in cash and cash equivalents	(305,684)	(28,791)
Cash and cash equivalents, beginning of period	525,232	651,971
Cash and cash equivalents, end of period	\$ 219,548	\$ 623,180

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

	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)					
<b>Net Revenue by Line of Business:</b>						
Consumer products and services (A)	\$ 87,115	\$ 85,040	\$ 88,022	\$ 82,497	\$ 77,442	\$ 74,811
Technology products and solutions (B)	49,056	44,432	37,552	11,179	11,967	11,791
Total net revenue	<u>\$ 136,171</u>	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
<b>Consumer Products and Services:</b>						
Subscriptions (C)	\$ 51,091	\$ 51,490	\$ 50,835	\$ 50,878	\$ 47,452	\$ 47,832
Media properties (D)	17,748	15,932	18,815	13,883	11,546	9,484
E-commerce and other (E)	18,276	17,618	18,372	17,736	18,444	17,495
Total consumer products and services revenue	<u>\$ 87,115</u>	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
<b>Consumer Products and Services:</b>						
Music (F)	\$ 36,801	\$ 34,127	\$ 33,623	\$ 30,375	\$ 30,118	\$ 28,918
Media software and services (G)	25,419	27,011	30,513	29,586	26,127	27,277
Games (H)	24,895	23,902	23,886	22,536	21,197	18,616
Total consumer products and services revenue	<u>\$ 87,115</u>	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
<b>Net Revenue by Geography:</b>						
United States	\$ 88,035	\$ 84,554	\$ 81,758	\$ 69,433	\$ 66,542	\$ 65,700
Rest of world	48,136	44,918	43,816	24,243	22,867	20,902
Total net revenue	<u>\$ 136,171</u>	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
<b>Gross Margin by Line of Business:</b>						
Consumer products and services	67%	67%	70%	68%	68%	67%
Technology products and solutions	59%	59%	58%	81%	81%	83%
Total gross margin	64%	65%	66%	70%	70%	69%
<b>Subscribers (presented as greater than) *</b>						
Total Subscribers (I)	26,150	24,550	22,700	2,450	2,400	2,400
Technology Products and Solutions Application Services Subscribers (J)	23,600	21,900	20,200			
Total Music Subscribers (K)	2,700	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.

(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.

**RealNetworks, Inc. and Subsidiaries**  
**Supplemental Financial Information**  
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(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**  
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Reconciliation of GAAP net income to adjusted net income is as follows:

	Quarters Ended					
	June 30, 2007	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	\$ 1,327	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Stock-based compensation	5,622	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	(132)	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	614	845	641	-	-	-
Acquisitions related intangible asset amortization*	5,311	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	202	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*	(3,858)	20,051	18,428	20,370	19,569	12,446
Change in income tax valuation allowance	(143)	(2,805)	(2,662)	-	-	-
Adjusted net income	<u>\$ 8,943</u>	<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	\$ 0.01	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.24	\$ 0.15
GAAP diluted net income per share	\$ 0.01	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.22	\$ 0.14
Adjusted basic net income per share*	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.03	\$ 0.02
Adjusted diluted net income per share*	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.03	\$ 0.02
Shares used to compute basic net income per share	153,880	161,350	162,130	160,578	159,938	160,887
Shares used to compute diluted net income per share	169,033	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					
	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands)					
Net income in accordance with GAAP	\$ 1,327	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Interest income, net	(8,065)	(9,102)	(9,644)	(10,618)	(9,381)	(7,979)
Stock-based compensation	5,622	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	(132)	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	614	845	641	-	-	-
Depreciation and amortization	5,661	4,621	4,970	3,692	3,522	3,525
Acquisitions related intangible asset amortization	5,311	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	202	471	1,026	1,000	997	971
Charitable contributions	-	1,921	2,009	1,889	1,805	1,225
Income taxes	2,178	23,219	19,357	25,908	22,521	14,751
Adjusted EBITDA	<u>\$ 12,718</u>	<u>\$ 11,933</u>	<u>\$ 9,126</u>	<u>\$ 7,614</u>	<u>\$ 2,174</u>	<u>\$ 1,741</u>

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(Unaudited)

	Quarter Ended June 30, 2007					Adjusted
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	
			(in thousands)			
<b>Expenses in accordance with GAAP</b>						
Cost of revenue	\$ 49,199	\$ (154)	\$ (1,988)	\$ (117)	\$ -	\$ 46,940
Operating expenses:						
Research and development	\$ 25,005	\$ (1,641)	\$ -	\$ (128)	\$ -	\$ 23,236
Sales and marketing	50,081	(2,203)	(3,323)	(299)	-	44,256
General and administrative	17,063	(1,624)	-	(70)	(202)	15,167
Total adjusted operating expenses, net	<u>\$ 92,149</u>	<u>\$ (5,468)</u>	<u>\$ (3,323)</u>	<u>\$ (497)</u>	<u>\$ (202)</u>	<u>\$ 82,659</u>

	Quarter Ended June 30, 2006					Adjusted
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization*	Antitrust Litigation Related	Adjusted	
			(in thousands)			
<b>Expenses in accordance with GAAP</b>						
Cost of revenue*	\$ 26,646	\$ (41)	\$ (195)	\$ -	\$ 26,410	
Operating expenses:						
Research and development	\$ 18,684	\$ (1,318)	\$ -	\$ -	\$ 17,366	
Sales and marketing*	37,961	(1,434)	(250)	-	36,277	
General and administrative	14,317	(880)	-	(2,660)	10,777	
Antitrust litigation benefit, net	(57,858)	-	-	57,858	-	
Total adjusted operating expenses, net*	<u>\$ 13,104</u>	<u>\$ (3,632)</u>	<u>\$ (250)</u>	<u>\$ 55,198</u>	<u>\$ 64,420</u>	

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

	Six Months Ended June 30, 2007					Adjusted
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	
			(in thousands)			
<b>Expenses in accordance with GAAP</b>						
Cost of revenue	\$ 95,142	\$ (313)	\$ (4,132)	\$ (244)	\$ -	\$ 90,453
Operating expenses:						
Research and development	\$ 48,484	\$ (3,413)	\$ -	\$ (279)	\$ -	\$ 44,792
Sales and marketing	99,781	(4,590)	(6,491)	(648)	-	88,052
General and administrative	34,417	(2,991)	-	(288)	(2,341)	28,797
Antitrust litigation benefit, net	(60,747)	-	-	-	60,747	-
Total adjusted operating expenses, net	<u>\$ 121,935</u>	<u>\$ (10,994)</u>	<u>\$ (6,491)</u>	<u>\$ (1,215)</u>	<u>\$ 58,406</u>	<u>\$ 161,641</u>

	Six Months Ended June 30, 2006					Adjusted
	As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization*	Antitrust Litigation Related	Adjusted	
			(in thousands)			
<b>Expenses in accordance with GAAP</b>						
Cost of revenue*	\$ 53,399	\$ (91)	\$ (576)	\$ -	\$ 52,732	
Operating expenses:						
Research and development	\$ 36,783	\$ (2,687)	\$ -	\$ -	\$ 34,096	
Sales and marketing*	74,044	(2,793)	(596)	-	70,655	
General and administrative	27,543	(1,740)	-	(4,691)	21,112	
Loss on excess office facilities	738	-	-	-	738	
Antitrust litigation benefit, net	(97,693)	-	-	97,693	-	
Total adjusted operating expenses, net*	<u>\$ 41,415</u>	<u>\$ (7,220)</u>	<u>\$ (596)</u>	<u>\$ 93,002</u>	<u>\$ 126,601</u>	

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

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**Supplemental Financial Information**  
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**Forward-Looking Guidance**

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

	Quarter Ending September 30, 2007		Year Ending December 31, 2007	
	Low	High	Low	High
Net income per diluted share in accordance with GAAP	\$ (0.03)	\$ (0.01)	\$ 0.22	\$ 0.25
Stock based compensation	0.04	0.04	0.16	0.15
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	\$ 0.02	\$ 0.04	\$ 0.21	\$ 0.24