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

	Quarters Ended December 31,		Years Ended December 31,	
	2006	2005	2006	2005
	(in thousands, except per share data)			
Net revenue	$ 125,574	$ 83,568	$ 395,261	$ 325,059
Cost of revenue	42,320	23,976	124,108	98,249
Gross profit	83,254	59,592	271,153	226,810
Operating expenses:				
Research and development	22,259	25,351	77,386	70,731
Sales and marketing	53,998	36,709	165,602	130,515
General and administrative	15,746	29,573	57,332	50,697
Loss on excess office facilities (A)	-	-	738	-
Subtotal operating expenses	92,003	91,633	301,058	251,943
Antitrust litigation benefit, net (B)	(60,856)	(434,425)	(220,410)	(422,500)
Total operating expenses, net	31,147	(342,792)	80,648	(170,557)
Operating income	52,107	402,384	190,505	397,367
Other income (expense), net:				
Interest income, net	9,644	7,012	37,622	14,511
Equity in net income (loss) of equity method investments	326	-	326	(1,068)
Impairment of equity investments	(3,116)	(266)	(3,116)	(266)
Gain on sales of equity investments	-	-	2,286	19,330
Other, net	(302)	(55)	130	(331)
Other income, net	6,552	6,691	37,248	32,176
Income before income taxes	58,659	409,075	227,753	429,543
Income tax provision	(19,357)	(113,435)	(82,537)	(117,198)
Net income	$ 39,302	$ 295,640	$ 145,216	$ 312,345
Net income per basic share	$ 0.24	$ 1.76	$ 0.90	$ 1.84
Net income per diluted share	$ 0.22	$ 1.61	$ 0.81	$ 1.70
Shares used to compute net income per basic share	162,130	167,573	160,973	169,986
Shares used to compute net income per diluted share	180,919	183,728	179,281	184,161

(A) The loss on unoccupied excess office facilities represents an increase in the estimate of the loss from building operating costs 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)

	December 31, 2006	December 31, 2005
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 525,232	$ 651,971
Short-term investments	153,688	129,356
Trade accounts receivable, net	65,751	16,721
Deferred tax assets, net, current portion	892	54,204
Prepaid expenses and other current assets	23,632	11,933
Total current assets	769,195	864,185
Equipment, software and leasehold improvements, at cost:		
Equipment and software	83,587	56,402
Leasehold improvements	29,665	27,964
Total equipment, software and leasehold improvements	113,252	84,366
Less accumulated depreciation and amortization	65,509	51,228
Net equipment, software and leasehold improvements	47,743	33,138
Restricted cash equivalents	17,300	17,300
Equity investments	22,649	46,163
Other assets	5,148	2,397
Deferred tax assets, net, non-current portion	27,150	19,147
Goodwill	309,122	123,330
Other intangible assets, net	105,109	7,337
Total assets	$ 1,303,416	$ 1,112,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 52,097	$ 11,397
Accrued and other liabilities	104,328	112,340
Deferred revenue, current portion	24,137	25,021
Accrued loss on excess office facilities, current portion	4,508	4,623
Total current liabilities	185,070	153,381
Deferred revenue, non-current portion	3,440	276
Accrued loss on excess office facilities, non-current portion	9,993	13,393
Deferred rent	4,331	4,018
Convertible debt	100,000	100,000
Deferred tax liabilties, net, non-current portion	27,076	-
Other long-term liabilities	3,740	196
Total liabilities	333,650	271,264
Total shareholders' equity	969,766	841,733
Total liabilities and shareholders' equity	$ 1,303,416	$ 1,112,997

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

	Years Ended December 31,	
	2006	2005
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 145,216	$ 312,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,980	16,243
Stock-based compensation	18,151	128
Equity in net losses of equity method investments	-	1,068
Impairment of equity investments	3,116	266
Gain on sales of equity investments	(2,286)	(19,330)
Changes in accrued loss on excess office facilities and content agreement	(3,516)	(9,161)
Loss on disposal of equipment	276	-
Deferred income taxes	64,645	107,208
Other	97	804
Excess tax benefit from stock option exercises	(4,966)	-
Net change in certain operating assets and liabilities, net of balances from businesses acquired during the year	(37,886)	51,182
Net cash provided by operating activities	203,827	460,753
Cash flows from investing activities:		
Purchases of equipment, software and leasehold improvements	(13,808)	(13,782)
Purchases of intangible assets	-	(1,125)
Purchases of short-term investments	(204,841)	(153,491)
Proceeds from sales and maturities of short-term investments	180,973	168,358
Decrease in restricted cash equivalents	-	2,851
Proceeds from sales of equity investments	2,286	19,530
Purchases of cost based investments	(834)	(647)
Payment of acquisition costs, net of cash acquired	(257,841)	(14,705)
Net cash provided by (used in) investing activities	(294,065)	6,989
Cash flows from financing activities:		
Net proceeds from sale of common stock under employee stock purchase plan and exercise of stock options	54,929	20,361
Repayment of long-term note payable	-	(648)
Excess tax benefit from stock option exercises	4,966	-
Repurchase of common stock	(98,876)	(54,321)
Net cash used in financing activities	(38,981)	(34,608)
Effect of exchange rate changes on cash and cash equivalents	2,480	(589)
Net increase (decrease) in cash and cash equivalents	(126,739)	432,545
Cash and cash equivalents at beginning of year	651,971	219,426
Cash and cash equivalents at end of year	$ 525,232	$ 651,971

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

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)							
Net Revenue by Line of Business: *								
Consumer products and services (A)	$ 88,022	$ 82,497	$ 77,442	$ 74,811	$ 73,415	$ 71,750	$ 70,593	$ 64,206
Technology products and solutions (B)	37,552	11,179	11,967	11,791	10,153	10,483	12,093	12,366
Total net revenue	$ 125,574	$ 93,676	$ 89,409	$ 86,602	$ 83,568	$ 82,233	$ 82,686	$ 76,572
Consumer Products and Services: *								
Subscriptions (C)	$ 50,835	$ 50,878	$ 47,452	$ 47,832	$ 47,508	$ 47,347	$ 47,821	$ 44,400
Media properties (D)	18,815	13,883	11,546	9,484	10,224	9,606	8,986	6,033
E-commerce and other (E)	18,372	17,736	18,444	17,495	15,683	14,797	13,786	13,773
Total consumer products and services revenue	$ 88,022	$ 82,497	$ 77,442	$ 74,811	$ 73,415	$ 71,750	$ 70,593	$ 64,206
Consumer Products and Services: *								
Music (F)	$ 33,623	$ 30,375	$ 30,118	$ 28,918	$ 27,760	$ 26,193	$ 24,933	$ 22,883
Media software and services (G)	30,513	29,586	26,127	27,277	29,914	30,858	32,012	29,134
Games (H)	23,886	22,536	21,197	18,616	15,741	14,699	13,648	12,189
Total consumer products and services revenue	$ 88,022	$ 82,497	$ 77,442	$ 74,811	$ 73,415	$ 71,750	$ 70,593	$ 64,206
Net Revenue by Geography:								
United States	$ 81,758	$ 69,433	$ 66,542	$ 65,700	$ 65,177	$ 63,478	$ 63,443	$ 57,757
Rest of world	43,816	24,243	22,867	20,902	18,391	18,755	19,243	18,815
Total net revenue	$ 125,574	$ 93,676	$ 89,409	$ 86,602	$ 83,568	$ 82,233	$ 82,686	$ 76,572
Gross Margin by Line of Business:								
Consumer products and services	70%	68%	68%	67%	70%	68%	68%	65%
Technology products and solutions	58%	81%	81%	83%	81%	82%	83%	82%
Total gross margin	66%	70%	70%	69%	71%	70%	70%	68%
Subscribers (presented as greater than) **								
Total Subscribers (I)	22,700	2,450	2,400	2,400	2,250	2,200	2,000	1,850
Technology Products and Solutions Application Services Subscribers (J)	20,200							
Total Music Subscribers (K)	2,550	1,650	1,625	1,575	1,425	1,300	1,150	975

*Reclassifications were made to the presentation of 2005 data to conform to the presentation for 2006

**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 Service, 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 Applications 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 the 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)

A reconciliation of net income in accordance with GAAP to total adjusted net income (loss) is as follows:

	Year Ended	Quarters Ended			
	December 31, 2006	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands, except per share data)				
Net income in accordance with GAAP	$ 145,216	$ 39,302	$ 42,153	$ 38,878	$ 24,883
Stock based compensation	18,151	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	830	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	641	641	-	-	-
WiderThan acquisition related intangible asset amortization	3,056	3,056	-	-	-
Expenses (benefit) related to antitrust litigation:					
Income	(221,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	3,994	1,026	1,000	997	971
Charitable contributions	6,928	2,009	1,889	1,805	1,225
Tax impact of above proforma items	71,640	18,604	20,587	19,732	12,717
Income tax valuation allowance changes	(2,662)	(2,662)	-	-	-
Total adjusted net income	$ 26,794	$ 9,911	$ 8,650	$ 4,799	$ 3,434
GAAP net income per basic share	$ 0.90	$ 0.24	$ 0.26	$ 0.24	$ 0.15
GAAP net income per diluted share	$ 0.81	$ 0.22	$ 0.24	$ 0.22	$ 0.14
Adjusted basic net income per share	$ 0.17	$ 0.06	$ 0.05	$ 0.03	$ 0.02
Adjusted diluted net income per share	$ 0.15	$ 0.05	$ 0.05	$ 0.03	$ 0.02
Shares used to compute net income per basic share	160,973	162,130	160,578	159,938	160,887
Shares used to compute net income per diluted share	179,281	180,919	178,913	177,337	176,923

	Year Ended	Quarters Ended			
	December 31, 2005*	December 31, 2005*	September 30, 2005	June 30, 2005	March 31, 2005
	(in thousands, except per share data)				
Net income in accordance with GAAP	$ 312,345	$ 295,640	$ 11,182	$ 4,709	$ 814
Stock based compensation	128	19	25	48	36
Loss (gain) on equity investments	(19,064)	266	(11,740)	(7,590)	-
Conversion of WiderThan stock options to a cash equivalent	-	-	-	-	-
WiderThan acquisition related intangible asset amortization	-	-	-	-	-
Expenses (benefit) related to antitrust litigation:					
Income	(478,571)	(478,571)	-	-	-
Expenses	62,775	50,850	3,531	4,650	3,744
Charitable contributions	14,786	14,786	-	-	-
Tax impact of above proforma items	156,871	153,547	3,324	-	-
Income tax valuation allowance changes	(42,645)	(42,645)	-	-	-
Total adjusted net income (loss)	$ 6,625	$ (6,108)	$ 6,322	$ 1,817	$ 4,594
GAAP net income per basic share	$ 1.84	$ 1.76	$ 0.07	$ 0.03	$ 0.00
GAAP net income per diluted share	$ 1.70	$ 1.61	$ 0.06	$ 0.03	$ 0.00
Adjusted basic net income (loss) per share	$ 0.04	$ (0.04)	$ 0.04	$ 0.01	$ 0.03
Adjusted diluted net income per share	$ 0.04	n/a	$ 0.03	$ 0.01	$ 0.02
Shares used to compute net income (loss) per basic share	169,986	167,573	170,797	171,393	170,947
Shares used to compute net income per diluted share	184,161	183,728	184,180	184,816	184,686

* Fourth quarter and full year 2005 have been restated to conform to the presentation for 2006
Due to the use of rounding convention for quarterly reporting, the sum of quarters may not equal annual totals

A reconciliation of net income in accordance with GAAP to total adjusted EBITDA is as follows:

	Year Ended	Quarters Ended			
	December 31, 2006	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
			(in thousands)		
Net income in accordance with GAAP	$ 145,216	$ 39,302	$ 42,153	$ 38,878	$ 24,883
Interest income, net	(37,622)	(9,644)	(10,618)	(9,381)	(7,979)
Stock based compensation	18,151	5,819	5,021	3,673	3,638
Conversion of WiderThan stock options to a cash equivalent	641	641	-	-	-
Loss (gain) on equity investments	830	3,116	-	(2,286)	-
Depreciation and amortization	20,980	8,500	4,261	3,967	4,252
Expenses (benefit) related to antitrust litigation:					
Income	(221,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	3,994	1,026	1,000	997	971
Charitable contributions	6,928	2,009	1,889	1,805	1,225
Income taxes	82,537	19,357	25,908	22,521	14,751
Total adjusted EBITDA	$ 20,655	$ 9,126	$ 7,614	$ 2,174	$ 1,741

	Year Ended	Quarters Ended			
	December 31, 2005	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
			(in thousands)		
Net income in accordance with GAAP	$ 312,345	$ 295,640	$ 11,182	$ 4,709	$ 814
Interest income, net	(14,511)	(7,012)	(2,904)	(2,579)	(2,016)
Stock based compensation	128	19	25	48	36
Conversion of WiderThan stock options to a cash equivalent	-	-	-	-	-
Loss (gain) on equity investments	(19,064)	266	(11,740)	(7,590)	-
Depreciation and amortization	16,243	4,374	4,195	4,044	3,630
Expenses (benefit) related to antitrust litigation:					
Income	(478,571)	(478,571)	-	-	-
Expenses	62,775	50,850	3,531	4,650	3,744
Charitable contributions	14,786	14,786	-	-	-
Income taxes	117,198	113,435	3,457	162	144
Total adjusted EBITDA	$ 11,329	$ (6,213)	$ 7,746	$ 3,444	$ 6,352

A reconciliation of GAAP cost of revenue and operating expenses for the quarters and years ended December 31, 2006 and 2005 to adjusted cost of revenue and operating expenses is as follows:

	Quarter Ended December 31, 2006				
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	WiderThan Acquisition Related Costs (1)	Adjusted
			(in thousands)		
Expenses in accordance with GAAP					
Cost of revenue	$ 42,320	$ (108)	$ -	$ (1,314)	$ 40,898
Operating expenses:					
Research and development	$ 22,259	$ (1,946)	$ -	$ (108)	$ 20,205
Sales and marketing	53,998	(2,440)	-	(2,131)	49,427
General and adminstrative	15,746	(1,325)	(2,891)	(144)	11,386
Antitrust litigation benefit, net	(60,856)	-	60,856		-
Total adjusted operating expenses, net	$ 31,147	$ (5,711)	$ 57,965	$ (2,383)	$ 81,018

	Quarter Ended December 31, 2005			
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	Adjusted
		(in thousands)		
Expenses in accordance with GAAP				
Cost of revenue	$ 23,976	$ -	$ -	$ 23,976
Operating expenses:				
Research and development	$ 25,351	$ (16)	$ -	$ 25,335
Sales and marketing	36,709	-	-	36,709
General and adminstrative	29,573	(3)	(21,490)	8,080
Antitrust litigation benefit, net	(434,425)	-	434,425	-
Total adjusted operating expenses, net	$ (342,792)	$ (19)	$ 412,935	$ 70,124

	Year Ended December 31, 2006				
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	WiderThan Acquisition Related Costs (1)	Adjusted
			(in thousands)		
Expenses in accordance with GAAP					
Cost of revenue	$ 124,108	$ (257)	$ -	$ (1,314)	$ 122,537
Operating expenses:					
Research and development	$ 77,386	$ (6,512)	$ -	$ (108)	$ 70,766
Sales and marketing	165,602	(7,152)	-	(2,131)	156,319
General and adminstrative	57,332	(4,230)	(10,332)	(144)	42,626
Loss on excess office facilities	738				738
Antitrust litigation benefit, net	(220,410)	-	220,410		-
Total adjusted operating expenses, net	$ 80,648	$ (17,894)	$ 210,078	$ (2,383)	$ 270,449

	Year Ended December 31, 2005			
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	Adjusted
		(in thousands)		
Expenses in accordance with GAAP				
Cost of revenue	$ 98,249	$ -	$ -	$ 98,249
Operating expenses:				
Research and development	$ 70,731	$ (100)	$ -	$ 70,631
Sales and marketing	130,515	-	-	130,515
General and adminstrative	50,697	(28)	(21,490)	29,179
Antitrust litigation benefit, net	(422,500)	-	422,500	-
Total adjusted operating expenses, net	$ (170,557)	$ (128)	$ 401,010	$ 230,325

(1) Includes acquisition related intangible amortization and the expense related to the conversion of WiderThan outstanding stock options to cash rights

Forward Looking Guidance

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

	Quarter Ending March 31, 2007		Year Ending December 31, 2007	
	Low	High	Low	High
Net Income per diluted share in accordance with GAAP	$ 0.16	$ 0.18	$ 0.18	$ 0.23
Stock-based compensation	0.03	0.03	0.16	0.14
Conversion of WiderThan stock options to a cash equivalent	0.00	0.00	0.01	0.01
Acquisition related intangible asset amortization	0.03	0.03	0.12	0.12
Net benefit related to antitrust litigation:	(0.32)	(0.32)	(0.32)	(0.31)
Tax impact of above proforma items	0.12	0.12	0.04	0.04
Total adjusted net income	$ 0.02	$ 0.04	$ 0.19	$ 0.23