

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(in thousands, except per share data)			
Net revenue	\$ 152,648	\$ 136,171	\$ 300,211	\$ 265,643
Cost of revenue	55,645	49,199	111,038	95,142
Gross profit	97,003	86,972	189,173	170,501
Operating expenses:				
Research and development	29,065	25,005	54,071	48,484
Sales and marketing	53,054	50,081	106,650	99,781
Advertising with related party (A)	9,240	-	16,580	-
General and administrative	18,337	17,063	35,421	34,417
Restructuring charge	-	-	686	-
Subtotal operating expenses	109,696	92,149	213,408	182,682
Antitrust litigation benefit, net (B)	-	-	-	(60,747)
Total operating expenses	109,696	92,149	213,408	121,935
Operating (loss) income	(12,693)	(5,177)	(24,235)	48,566
Other income (expenses):				
Interest income, net	3,375	8,065	8,333	17,167
Equity in net loss of investments	(107)	-	(198)	(132)
Gain on sale of equity investment, net	222	132	222	132
Minority interest in Rhapsody America (C)	8,177	-	16,792	-
Gain on sale of interest in Rhapsody America (D)	3,371	-	7,097	-
Other income	50	485	818	952
Other income, net	15,088	8,682	33,064	18,119
Income before income taxes	2,395	3,505	8,829	66,685
Income taxes	(3,700)	(2,178)	(7,708)	(25,397)
Net income	\$ (1,305)	\$ 1,327	\$ 1,121	\$ 41,288
Basic net income per share	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.26
Diluted net income per share	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.24
Shares used to compute basic net income per share	142,905	153,880	142,946	157,929
Shares used to compute diluted net income per share	142,905	169,033	156,000	173,822

(A) Consists of advertising purchased by Rhapsody America from MTV Networks (MTVN). MTVN has a 49% ownership interest in Rhapsody America.

(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) Minority interest reflects MTVN's 49% ownership share in the losses of Rhapsody America.

(D) Consists of gains realized from MTVN's note payments to Rhapsody America.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2008	December 31, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 415,805	\$ 476,697
Short-term investments	106,862	79,932
Trade accounts receivable, net	71,177	84,674
Deferred costs, current portion	8,598	6,408
Prepaid expenses and other current assets	<u>39,168</u>	<u>33,845</u>
Total current assets	<u>641,610</u>	<u>681,556</u>
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	124,406	109,621
Leasehold improvements	<u>30,875</u>	<u>30,632</u>
Total equipment, software, and leasehold improvements	155,281	140,253
Less accumulated depreciation and amortization	<u>94,763</u>	<u>83,756</u>
Net equipment, software, and leasehold improvements	60,518	56,497
Restricted cash equivalents and investments	14,670	15,509
Equity investments	8,126	9,976
Other assets	16,419	10,161
Deferred tax assets, net, non-current portion	40,169	40,913
Other intangible assets, net	90,506	107,677
Goodwill	<u>341,551</u>	<u>353,153</u>
Total assets	<u>\$ 1,213,569</u>	<u>\$ 1,275,442</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 29,748	\$ 56,160
Accrued and other liabilities	106,654	114,136
Deferred revenue, current portion	40,680	39,564
Related party payable (A)	9,992	17,241
Convertible debt	100,000	100,000
Accrued loss on excess office facilities, current portion	<u>4,311</u>	<u>3,389</u>
Total current liabilities	291,385	330,490
Deferred revenue, non-current portion	1,608	2,663
Accrued loss on excess office facilities, non-current portion	4,797	7,311
Deferred rent	4,675	4,518
Deferred tax liabilities, net, non-current portion	18,311	22,060
Other long-term liabilities	<u>10,152</u>	<u>13,683</u>
Total liabilities	330,928	380,725
Minority interest (B)	10,931	19,613
Shareholders' equity	<u>871,710</u>	<u>875,104</u>
Total liabilities and shareholders' equity	<u>\$ 1,213,569</u>	<u>\$ 1,275,442</u>

(A) Related party payable reflects amounts owed to MTVN.

(B) Minority interest reflects MTVN's 49% ownership interest in the net assets of Rhapsody America.

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

	Six Months End
	2008
	(in thousands)
Cash flows from operating activities:	
Net income	\$ 1,121
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	
Depreciation and amortization	25,701
Stock-based compensation	11,520
Loss on disposal of equipment, software, and leasehold improvements	182
Equity in net loss of investments	198
Gain on sale of equity investment, net	(222)
Excess tax benefit from stock option exercises	(88)
Accrued loss on excess office facilities	(1,593)
Unrealized gain on trading securities	-
Purchase of trading securities	-
Deferred income taxes	(2,138)
Minority interest in Rhapsody America	(16,792)
Gain on sale of interest in Rhapsody America	(7,097)
Other	89
Net change in certain assets and liabilities, net of acquisitions	(39,159)
Net cash used in operating activities	(28,278)
Cash flows from investing activities:	
Purchases of equipment, software, and leasehold improvements	(15,231)
Purchases of short-term investments	(95,671)
Proceeds from sales and maturities of short-term investments	68,741
Purchases of intangible assets	-
Proceeds from the sales of equity investments	1,225
Payment of acquisition costs, net of cash acquired	(10,164)
Decrease in restricted cash equivalents and investments	839
Net cash used in investing activities	(50,261)
Cash flows from financing activities:	
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	6,041
Net proceeds from sales of interest in Rhapsody America	14,607
Excess tax benefit from stock option exercises	88
Repurchase of common stock	(681)
Net cash provided by (used in) financing activities	20,055
Effect of exchange rate changes on cash	(2,408)
Net decrease in cash and cash equivalents	(60,892)
Cash and cash equivalents, beginning of period	476,697
Cash and cash equivalents, end of period	\$ 415,805

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

	2008		2007			
	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)					
Net Revenue by Line of Business:						
Consumer products and services (A)	\$101,353	\$ 96,286	\$ 96,998	\$ 91,824	\$ 87,115	\$ 85,040
Technology products and solutions (B)	51,295	51,277	59,884	53,271	49,056	44,432
Total net revenue	<u>\$152,648</u>	<u>\$ 147,563</u>	<u>\$ 156,882</u>	<u>\$ 145,095</u>	<u>\$ 136,171</u>	<u>\$ 129,472</u>
Consumer Products and Services:						
Subscriptions (C)	\$ 55,658	\$ 55,193	\$ 54,784	\$ 55,551	\$ 51,091	\$ 51,490
Media properties (D)	23,472	18,702	20,438	16,071	17,748	15,932
E-commerce and other (E)	22,223	22,391	21,776	20,202	18,276	17,618
Total consumer products and services revenue	<u>\$101,353</u>	<u>\$ 96,286</u>	<u>\$ 96,998</u>	<u>\$ 91,824</u>	<u>\$ 87,115</u>	<u>\$ 85,040</u>
Consumer Products and Services:						
Music (F)	\$ 37,170	\$ 38,079	\$ 40,540	\$ 37,658	\$ 36,801	\$ 34,127
Media software and services (G)	29,238	26,409	25,572	25,346	25,419	27,011
Games (H)	34,945	31,798	30,886	28,820	24,895	23,902
Total consumer products and services revenue	<u>\$101,353</u>	<u>\$ 96,286</u>	<u>\$ 96,998</u>	<u>\$ 91,824</u>	<u>\$ 87,115</u>	<u>\$ 85,040</u>
Net Revenue by Geography:						
United States	\$100,898	\$ 99,169	\$ 96,806	\$ 91,281	\$ 88,035	\$ 84,554
Rest of world	51,750	48,394	60,076	53,814	48,136	44,918
Total net revenue	<u>\$152,648</u>	<u>\$ 147,563</u>	<u>\$ 156,882</u>	<u>\$ 145,095</u>	<u>\$ 136,171</u>	<u>\$ 129,472</u>
Subscribers (presented as greater than) *:						
Total subscribers (I)	35,000	32,200	30,200	29,250	26,150	24,550
Technology products and solutions application services subscribers (J)	32,450	29,500	27,600	26,600	23,600	21,900
Music subscribers:						
Consumer music subscribers (K)	1,875	1,875	1,900	1,925	1,850	1,875
Technology products and solutions application services music subscribers (L)	800	800	825	825	825	800
Total Music Subscribers**	<u>2,675</u>	<u>2,675</u>	<u>2,725</u>	<u>2,750</u>	<u>2,675</u>	<u>2,675</u>

* 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.

** Prior periods have been changed to reflect current period presentation. Totals may not equal due to rounding convention.

(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.

(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) Consumer music subscribers include: Rhapsody, Rhapsody-to-Go, premium radio, and music-on-demand.

(L) Technology products and solutions application services music subscribers include subscribers from application services including music-on-demand.

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

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

	Quarters Ended					
	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
	(in thousands)					
Net income (loss) in accordance with GAAP	\$ (1,305)	\$ 2,426	\$ 2,685	\$ 4,342	\$ 1,327	\$ 39,961
Interest income, net	(3,375)	(4,958)	(6,417)	(7,290)	(8,065)	(9,102)
Stock-based compensation	6,031	5,489	6,627	5,984	5,622	5,685
Loss (gain) on equity investments, net	(222)	-	34	-	(132)	-
Conversion of WiderThan stock options to a cash equivalent	26	89	190	413	614	845
Depreciation and amortization (net of minority interest effect)	6,186	6,282	5,703	6,210	5,661	4,621
Acquisitions related intangible asset amortization (net of minority interest effect)	6,171	6,315	6,639	5,583	5,311	5,312
Gain on initial formation of Rhapsody America	-	-	-	(3,866)	-	-
Expenses (benefit) related to antitrust litigation:						
Income	-	-	-	-	-	(61,000)
Expenses	202	202	179	201	202	471
Charitable contributions	-	-	-	-	-	1,921
Income taxes	3,700	4,008	47	2,012	2,178	23,219
Adjusted EBITDA	<u>\$ 17,414</u>	<u>\$ 19,853</u>	<u>\$ 15,687</u>	<u>\$ 13,589</u>	<u>\$ 12,718</u>	<u>\$ 11,933</u>

RealNetworks, Inc. and Subsidiaries
Segment Results of Operations
(Unaudited)

	Quarter Ended June 30, 2008				
	Music ^(A)	Consumer ^(B)	TPS ^(C)	Other	Grand Total
	(in thousands)				
Net revenue	\$ 37,170	\$ 64,183	\$ 51,295	\$ -	\$ 152,648
Cost of revenue	20,693	14,362	20,590	-	55,645
Gross profit	16,477	49,821	30,705	-	97,003
Gross margin	44%	78%	60%	-	64%
Operating expenses:					
Advertising with related party	9,240	-	-	-	9,240
Other operating expenses	23,412	44,029	32,778	237	100,456
Total operating expenses	32,652	44,029	32,778	237	109,696
Income (loss) from operations	(16,175)	5,792	(2,073)	(237)	(12,693)
Other income (expenses):					
Interest income, net	-	-	-	3,375	3,375
Minority interest	8,177	-	-	-	8,177
Equity in net loss of investments	-	-	-	(107)	(107)
Gain on sale of equity investment, net	-	-	-	222	222
Gain on sale of interest in Rhapsody America	3,371	-	-	-	3,371
Other income	-	-	-	50	50
Other income, net	11,548	-	-	3,540	15,088
Income (loss) before income taxes	\$ (4,627)	\$ 5,792	\$ (2,073)	\$ 3,303	\$ 2,395

Reconciliation of segment GAAP income (loss) before taxes to segment adjusted EBITDA is as follows:

Income (loss) before income taxes	\$ (4,627)	\$ 5,792	\$ (2,073)	\$ 3,303	\$ 2,395
Interest income, net	-	-	-	(3,375)	(3,375)
Stock-based compensation	1,089	2,331	2,611	-	6,031
Conversion of WiderThan stock options to a cash equivalent	-	-	26	-	26
Acquisitions related intangible asset amortization ^(D)	384	914	4,873	-	6,171
Gain on initial formation of Rhapsody America	-	-	-	-	-
Gain on sale of equity investments, net	-	-	-	(222)	(222)
Depreciation and amortization ^(D)	1,262	1,815	3,109	-	6,186
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	-	-	202	202
Charitable contributions	-	-	-	-	-
Adjusted EBITDA	\$ (1,892)	\$ 10,852	\$ 8,546	\$ (92)	\$ 17,414

	Quarter Ended June 30, 2007				
	Music ^(A)	Consumer ^(B)	TPS ^(C)	Other	Grand Total
	(in thousands)				
Net revenue	\$ 36,801	\$ 50,314	\$ 49,056	\$ -	\$ 136,171
Cost of revenue	19,804	9,436	19,959	-	49,199
Gross profit	16,997	40,878	29,097	-	86,972
Gross margin	46%	81%	59%	-	64%
Operating expenses:					
Other operating expenses	24,037	34,814	33,096	202	92,149
Total operating expenses	24,037	34,814	33,096	202	92,149
Income (loss) from operations	(7,040)	6,064	(3,999)	(202)	(5,177)
Other income (expenses):					
Interest income, net	-	-	-	8,065	8,065
Gain on sale of equity investments, net	-	-	-	132	132
Other income	-	-	-	485	485
Other income, net	-	-	-	8,682	8,682
Income (loss) before income taxes	\$ (7,040)	\$ 6,064	\$ (3,999)	\$ 8,480	\$ 3,505

Reconciliation of segment GAAP income (loss) before taxes to segment adjusted EBITDA is as follows:

Income (loss) before income taxes	\$ (7,040)	\$ 6,064	\$ (3,999)	\$ 8,480	\$ 3,505
Interest income, net	-	-	-	(8,065)	(8,065)
Stock-based compensation	1,129	2,142	2,351	-	5,622
Conversion of WiderThan stock options to a cash equivalent	-	-	614	-	614
Acquisitions related intangible asset amortization ^(D)	22	583	4,706	-	5,311
Gain on sale of equity investments, net	-	-	-	(132)	(132)
Depreciation and amortization ^(D)	1,214	1,461	2,986	-	5,661
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	-	-	202	202
Charitable contributions	-	-	-	-	-
Adjusted EBITDA	\$ (4,675)	\$ 10,250	\$ 6,658	\$ 485	\$ 12,718

Note: Cost of revenue and operating expenses of the segments shown above include costs directly attributable to those segments and an allocation of general and administrative and other common or shared costs.

(A) The Music segment primarily includes revenue and related costs from: Rhapsody America's Rhapsody and Radiopass subscription services; sales of digital music content through the Rhapsody service and the RealPlayer music store; and advertising from music websites.

(B) The Consumer segment primarily includes revenue and related costs from: the sale of individual games through our RealArcade service and our Games related websites; our GamePass and FunPass subscription service; our SuperPass and stand-alone premium video subscription services; RealPlayer Plus and related products; sales and distribution of third-party software products; and all advertising other than that related directly to our Music businesses.

(C) TPS comprises our Technology Products and Solutions segment which includes revenue and related costs from: sales of ringback tone, music-on-demand, video-on-demand, messaging, and information services; sales of media delivery system software, including Helix system software and related authoring and publishing tools, both directly to customers and indirectly through original equipment manufacturer (OEM) channels; support and maintenance services sold to customers who purchase software products; broadcast hosting services; and consulting and professional services that are offered to customers.

(D) Net of minority interest effect within our Music segment.

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

Quarter Ended June 30, 2008						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
Expenses in accordance with GAAP						
Cost of revenue	\$ 55,645	\$ (662)	\$ (2,282)	\$ (1)	\$ -	\$ 52,700
Operating expenses:						
Research and development	\$ 29,065	\$ (2,146)	\$ -	\$ -	\$ -	\$ 26,919
Sales and marketing	53,054	(1,433)	(3,889)	(7)	-	47,725
Advertising with related party	9,240	-	-	-	-	9,240
General and administrative	18,337	(1,790)	-	(18)	(202)	16,327
Restructuring charge	-	-	-	-	-	-
Total adjusted operating expenses, net	<u>\$ 109,696</u>	<u>\$ (5,369)</u>	<u>\$ (3,889)</u>	<u>\$ (25)</u>	<u>\$ (202)</u>	<u>\$ 100,211</u>

Quarter Ended June 30, 2007						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
Expenses in accordance with GAAP						
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
Antitrust litigation benefit, net	-	-	-	-	-	-
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>

Six Months Ended June 30, 2008						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
Expenses in accordance with GAAP						
Cost of revenue	\$ 111,038	\$ (896)	\$ (4,597)	\$ (22)	\$ -	\$ 105,523
Operating expenses:						
Research and development	\$ 54,071	\$ (4,059)	\$ -	\$ (46)	\$ -	\$ 49,966
Sales and marketing	106,650	(3,341)	(7,889)	(29)	-	95,391
General and administrative	16,580	-	-	-	-	16,580
Antitrust litigation benefit, net	35,421	(3,224)	-	(18)	(404)	31,775
Restructuring charge	686	-	-	-	-	686
Total adjusted operating expenses, net	<u>\$ 213,408</u>	<u>\$ (10,624)</u>	<u>\$ (7,889)</u>	<u>\$ (93)</u>	<u>\$ (404)</u>	<u>\$ 194,398</u>

Six Months Ended June 30, 2007						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization ^(A)	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
Expenses in accordance with GAAP						
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>

(A) - Net of minority interest effect.

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

A reconciliation of GAAP net income (loss) guidance for the quarter ending September 30, 2008 and the full year ending December 31, 2008 to adjusted EBITDA guidance is as follows:

	Quarter Ending September 30, 2008		Year Ending December 31, 2008	
	Low	High	Low	High
Net income (loss) in accordance with GAAP	\$ (7.2)	\$ (4.2)	\$ (9.0)	\$ (3.0)
Interest income, net & other	(2.2)	(2.5)	(12.7)	(13.0)
Stock-based compensation and conversion of WiderThan stock options to a cash equivalent	6.8	7.2	24.0	26.0
Depreciation and amortization, including acquisitions related intangible asset amortization (net of minority interest effect)	14.0	13.5	53.7	51.0
Income tax expense (benefit)	(1.4)	(1.0)	7.0	9.0
Total adjusted EBITDA	<u>\$ 10.0</u>	<u>\$ 13.0</u>	<u>\$ 63.0</u>	<u>\$ 70.0</u>