

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

	Quarters Ended		
	March 31, 2004	December 31, 2003	March 31, 2003
	(in thousands, except per share data)		
<b>Net revenue</b>	\$ 60,390	54,056	46,866
<b>Cost of revenue</b>	21,761	20,780	13,784
<b>Loss on content agreement</b>	4,938	-	-
Gross profit	<u>33,691</u>	<u>33,276</u>	<u>33,082</u>
<b>Operating expenses:</b>			
Research and development	12,251	11,922	10,907
Sales and marketing	22,203	20,638	18,303
General and administrative	6,821	4,186	5,497
Antitrust litigation	2,321	1,574	-
Stock-based compensation	266	260	301
Total operating expenses	<u>43,862</u>	<u>38,580</u>	<u>35,008</u>
Operating loss	(10,171)	(5,304)	(1,926)
<b>Other income (expense), net:</b>			
Interest income	860	878	1,265
Equity in net loss of MusicNet	(1,115)	(1,104)	(1,731)
Impairment of equity investments (A)	-	-	(424)
Other, net	90	219	56
Other expense, net	<u>(165)</u>	<u>(7)</u>	<u>(834)</u>
Loss before income taxes	(10,336)	(5,311)	(2,760)
Income tax expense	<u>(102)</u>	<u>(16)</u>	<u>(78)</u>
Net loss	<u>\$ (10,438)</u>	<u>(5,327)</u>	<u>(2,838)</u>
Basic and diluted net loss per share	<u>\$ (0.06)</u>	<u>(0.03)</u>	<u>(0.02)</u>
Shares used to compute basic and diluted net loss per share	166,961	163,755	157,431

(A) Relates to other-than-temporary declines in the value of certain equity investments. These charges were recorded to reflect these investments at their estimated fair value.

**RealNetworks, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	March 31, 2004	December 31, 2003
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 363,804	373,593
Trade accounts receivable, net of allowances for doubtful accounts and sales returns	11,965	10,618
Prepaid expenses and other current assets	9,792	8,879
Total current assets	385,561	393,090
Equipment and leasehold improvements, at cost:		
Equipment and software	39,811	37,110
Leasehold improvements	25,871	26,085
Total equipment and leasehold improvements	65,682	63,195
Less accumulated depreciation and amortization	35,100	33,258
Net equipment and leasehold improvements	30,582	29,937
Restricted cash equivalents	20,151	19,953
Investments	34,694	34,577
Goodwill, net	119,371	97,477
Other intangible assets, net	7,535	1,065
Other	4,453	4,840
<b>Total assets</b>	<b>\$ 602,347</b>	<b>580,939</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 9,551	6,865
Accrued and other liabilities	43,090	39,400
Deferred revenue, excluding non-current portion	32,884	31,186
Accrued loss on excess office facilities and content agreement, excluding non-current portion	7,014	4,960
Total current liabilities	92,539	82,411
Deferred revenue, excluding current portion	2,621	4,561
Accrued loss on excess office facilities and content agreement, excluding current portion	24,014	24,099
Deferred rent	3,383	3,382
Convertible debt	100,000	100,000
Total shareholders' equity	379,790	366,486
<b>Total liabilities and shareholders' equity</b>	<b>\$ 602,347</b>	<b>580,939</b>

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

	2004	2003			
	Q1	Q4	Q3	Q2	Q1
	(in thousands)				
<b>Net Revenue by Line of Business:</b>					
Consumer products and services (A)	\$ 46,514	41,214	36,377	33,172	32,886
Business products and services (B)	13,876	12,842	15,432	16,474	13,980
Total net revenue	<u>\$ 60,390</u>	<u>54,056</u>	<u>51,809</u>	<u>49,646</u>	<u>46,866</u>
<b>Consumer Products and Services:</b>					
Subscriptions (C)	\$ 31,562	30,075	27,909	25,470	23,639
E-commerce and other (D)	14,952	11,139	8,468	7,702	9,247
Total consumer products and services revenue	<u>\$ 46,514</u>	<u>41,214</u>	<u>36,377</u>	<u>33,172</u>	<u>32,886</u>
<b>Consumer Products and Services:</b>					
Video, Consumer Software and Other (E)	\$ 27,494	29,347	28,572	28,830	29,645
Music (F)	12,265	7,937	4,655	1,670	831
Games (G)	6,755	3,930	3,150	2,672	2,410
Total consumer products and services revenue	<u>\$ 46,514</u>	<u>41,214</u>	<u>36,377</u>	<u>33,172</u>	<u>32,886</u>
<b>Net Revenue by Geography:</b>					
North America	\$ 43,963	40,175	37,660	36,009	33,769
Rest of world	16,427	13,881	14,149	13,637	13,097
Total net revenue	<u>\$ 60,390</u>	<u>54,056</u>	<u>51,809</u>	<u>49,646</u>	<u>46,866</u>
<b>Gross Margin by Line of Business: *</b>					
Consumer products and services	58%	55%	54%	61%	63%
Business products and services	84%	83%	87%	88%	89%
Total gross margin	64%	62%	64%	70%	71%
<b>Subscribers (presented as greater than)</b>					
Total **	1,300	1,300	1,150	1,000	1,000
Music	450	350	250	150	100

\*For the quarter ended March 31, 2004, total gross margin excludes loss on content agreement of \$4.9 million. Including the loss on content agreement, total gross margin is 56%

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

(A) Revenue is derived from consumer digital media subscription services, Real Player 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 Real Player 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 RealOne SuperPass subscriptions, RealPlayer Plus and related products, stand-alone subscription services and sales and distribution of third party software products

(F) Revenue is derived from RadioPass and Rhapsody subscription services and sales of music content

(G) Revenue is derived from the GamePass subscription service, sales of games and advertising generated from our games and game related Web sites

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A reconciliation of GAAP net loss to loss before interest, taxes, depreciation, amortization and stock compensation (EBITDA) and EBITDA excluding antitrust litigation and loss on content agreement is as follows:

	Quarter Ended March 31,	Quarter Ended December 31,
	2004	2003
	(in thousands)	
Net loss in accordance with Generally Accepted Accounting Principles	\$ (10,438)	(5,327)
Interest income	(860)	(878)
Taxes	102	16
Depreciation, amortization and stock compensation	3,648	3,107
EBITDA	(7,548)	(3,082)
Antitrust litigation	2,321	1,574
Loss on content agreement	4,938	-
EBITDA excluding antitrust litigation and loss on content agreement	\$ (289)	(1,508)

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.