

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands, except per share data)			
<b>Net revenue:</b>				
Software license fees	\$ 15,543	15,554	\$ 48,410	57,163
Service revenue	34,687	28,202	95,446	74,466
Advertising	1,579	1,662	4,465	4,839
Total net revenue	<u>51,809</u>	<u>45,418</u>	<u>148,321</u>	<u>136,468</u>
<b>Cost of revenue:</b>				
Software license fees	2,682	1,493	6,244	5,305
Service revenue	15,767	11,720	39,981	29,992
Advertising	410	454	1,338	1,597
Total cost of revenue	<u>18,859</u>	<u>13,667</u>	<u>47,563</u>	<u>36,894</u>
Gross profit	<u>32,950</u>	<u>31,751</u>	<u>100,758</u>	<u>99,574</u>
<b>Operating expenses:</b>				
Research and development	12,773	12,252	36,485	36,846
Sales and marketing	18,433	18,818	55,053	55,501
General and administrative	5,460	4,561	16,821	14,557
Loss on excess office facilities (A)	-	17,207	7,098	17,207
Personnel reduction, restructuring, and related charges	-	3,595	-	3,595
Stock based compensation	366	398	860	930
Total operating expenses	<u>37,032</u>	<u>56,831</u>	<u>116,317</u>	<u>128,636</u>
Operating loss	(4,082)	(25,080)	(15,559)	(29,062)
<b>Other income (expense):</b>				
Interest income	922	1,551	3,373	5,975
Equity in net loss of MusicNet	(1,149)	(1,609)	(4,274)	(5,132)
Impairment of equity investments (B)	-	(4,399)	(424)	(5,103)
Other, net	623	105	888	3,381
Other income (expense), net	<u>396</u>	<u>(4,352)</u>	<u>(437)</u>	<u>(879)</u>
Loss before income taxes	(3,686)	(29,432)	(15,996)	(29,941)
Income tax benefit (expense)	<u>32</u>	<u>(5,957)</u>	<u>(128)</u>	<u>(5,955)</u>
Net loss	<u>\$ (3,654)</u>	<u>(35,389)</u>	<u>\$ (16,124)</u>	<u>(35,896)</u>
Basic and diluted net loss per share	<u>\$ (0.02)</u>	<u>(0.22)</u>	<u>\$ (0.10)</u>	<u>(0.22)</u>
Shares used to compute basic and diluted net loss per share	161,684	159,961	159,136	159,897

**Net Revenue by Geography:**

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands)			
United States	\$ 37,660	34,048	\$ 107,438	98,310
Europe	8,710	6,078	23,614	20,313
Rest of world	5,439	5,292	17,269	17,845
Total	<u>\$ 51,809</u>	<u>45,418</u>	<u>\$ 148,321</u>	<u>136,468</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ 2,786	3,825	\$ (4,274)	811

(A) The loss on unoccupied excess office facilities represents the loss from rent payments, net of sublease income, over the remaining life of the lease.

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

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

	September 30, 2003	December 31, 2002
(in thousands)		
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 378,739	\$ 309,071
Trade accounts receivable, net of allowances for doubtful accounts and sales returns	8,495	6,560
Prepaid expenses and other current assets	8,485	7,278
Total current assets	395,719	322,909
Equipment and leasehold improvements, at cost:		
Equipment and software	34,936	27,536
Leasehold improvements	26,017	25,227
Total equipment and leasehold improvements	60,953	52,763
Less accumulated depreciation and amortization	30,682	22,718
Net equipment and leasehold improvements	30,271	30,045
Restricted cash equivalents	19,965	17,300
Investments	39,173	29,196
Goodwill and other intangible assets, net	98,739	60,925
Other	5,006	1,726
<b>Total assets</b>	<b>\$ 588,873</b>	<b>\$ 462,101</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 8,349	\$ 7,830
Accrued and other liabilities	37,133	31,083
Deferred revenue, excluding non-current portion	30,742	31,771
Accrued loss on excess office facilities, excluding non-current portion	4,557	3,825
Total current liabilities	80,781	74,509
Deferred revenue, excluding current portion	6,578	12,446
Accrued loss on excess office facilities, excluding current portion	25,214	22,110
Deferred rent	3,380	3,271
Convertible debt	100,000	-
Total shareholders' equity	372,920	349,765
<b>Total liabilities and shareholders' equity</b>	<b>\$ 588,873</b>	<b>\$ 462,101</b>