

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

	Quarters Ended March 31,	
	2008	2007
	(in thousands, except per share data)	
Net revenue	\$ 147,563	\$ 129,472
Cost of revenue	55,393	45,943
Gross profit	92,170	83,529
Operating expenses:		
Research and development	25,006	23,479
Sales and marketing	53,596	49,700
Advertising with related party (A)	7,340	-
General and administrative	17,084	17,354
Restructuring charge	686	-
Subtotal operating expenses	103,712	90,533
Antitrust litigation benefit, net (B)	-	(60,747)
Total operating expenses	103,712	29,786
Operating (loss) income	(11,542)	53,743
Other income (expenses):		
Interest income, net	4,958	9,102
Equity in net loss of investments	(91)	(132)
Minority interest in Rhapsody America (C)	8,615	-
Gain on sale of interest in Rhapsody America (D)	3,726	-
Other income	768	467
Other income, net	17,976	9,437
Income before income taxes	6,434	63,180
Income taxes	(4,008)	(23,219)
Net income	\$ 2,426	\$ 39,961
Basic net income per share	\$ 0.02	\$ 0.25
Diluted net income per share	\$ 0.02	\$ 0.22
Shares used to compute basic net income per share	142,491	161,350
Shares used to compute diluted net income per share	154,736	178,053

(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)

	March 31, 2008	December 31, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 478,737	\$ 476,697
Short-term investments	60,892	79,932
Trade accounts receivable, net	72,718	84,674
Deferred costs, current portion	7,149	6,408
Prepaid expenses and other current assets	29,760	33,845
Total current assets	649,256	681,556
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	116,899	109,621
Leasehold improvements	30,789	30,632
Total equipment, software, and leasehold improvements	147,688	140,253
Less accumulated depreciation and amortization	89,401	83,756
Net equipment, software, and leasehold improvements	58,287	56,497
Restricted cash equivalents	15,518	15,509
Equity investments	9,125	9,976
Other assets	13,909	10,161
Deferred tax assets, net, non-current portion	41,176	40,913
Other intangible assets, net	97,904	107,677
Goodwill	347,848	353,153
Total assets	\$ 1,233,023	\$ 1,275,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 46,228	\$ 56,160
Accrued and other liabilities	100,800	114,136
Deferred revenue, current portion	40,308	39,564
Related party payable (A)	8,299	17,241
Convertible debt	100,000	100,000
Accrued loss on excess office facilities, current portion	4,171	3,389
Total current liabilities	299,806	330,490
Deferred revenue, non-current portion	1,874	2,663
Accrued loss on excess office facilities, non-current portion	5,688	7,311
Deferred rent	4,637	4,518
Deferred tax liabilities, net, non-current portion	20,227	22,060
Other long-term liabilities	10,402	13,683
Total liabilities	342,634	380,725
Minority interest (B)	14,678	19,613
Shareholders' equity	875,711	875,104
Total liabilities and shareholders' equity	\$ 1,233,023	\$ 1,275,442

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

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

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

	Quarters Ende
	2008
	(in thous
Cash flows from operating activities:	
Net income	\$ 2,426
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	
Depreciation and amortization	12,971
Stock-based compensation	5,489
Loss on disposal of equipment, software, and leasehold improvements	75
Equity in net loss of investments	91
Excess tax benefit from stock option exercises	(50)
Accrued loss on excess office facilities	(841)
Deferred income taxes	(939)
Minority interest in Rhapsody America	(8,615)
Gain on sale of interest in Rhapsody America	(3,726)
Other	32
Net change in certain assets and liabilities, net of acquisitions	(18,202)
Net cash (used in) provided by operating activities	(11,289)
Cash flows from investing activities:	
Purchases of equipment, software, and leasehold improvements	(7,203)
Purchases of short-term investments	(49,798)
Proceeds from sales and maturities of short-term investments	68,838
Purchases of intangible assets	-
Proceeds from the sales of equity investments	350
Payment of acquisition costs, net of cash acquired	(6,011)
Decrease (increase) in restricted cash equivalents	(9)
Net cash provided by (used in) investing activities	6,167
Cash flows from financing activities:	
Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options	1,072
Net proceeds from sales of interest in Rhapsody America	7,406
Excess tax benefit from stock option exercises	50
Repurchase of common stock	-
Net cash provided by (used in) financing activities	8,528
Effect of exchange rate changes on cash	(1,366)
Net increase (decrease) in cash and cash equivalents	2,040
Cash and cash equivalents, beginning of period	476,697
Cash and cash equivalents, end of period	\$ 478,737

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

	2008		2007		
	Q1	Q4	Q3	Q2	Q1
	(in thousands)				
Net Revenue by Line of Business:					
Consumer products and services (A)	\$ 96,286	\$ 96,998	\$ 91,824	\$ 87,115	\$ 85,040
Technology products and solutions (B)	51,277	59,884	53,271	49,056	44,432
Total net revenue	<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)	\$ 55,193	\$ 54,784	\$ 55,551	\$ 51,091	\$ 51,490
Media properties (D)	18,702	20,438	16,071	17,748	15,932
E-commerce and other (E)	22,391	21,776	20,202	18,276	17,618
Total consumer products and services revenue	<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)	\$ 38,079	\$ 40,540	\$ 37,658	\$ 36,801	\$ 34,127
Media software and services (G)	26,409	25,572	25,346	25,419	27,011
Games (H)	31,798	30,886	28,820	24,895	23,902
Total consumer products and services revenue	<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	\$ 99,169	\$ 96,806	\$ 91,281	\$ 88,035	\$ 84,554
Rest of world	48,394	60,076	53,814	48,136	44,918
Total net revenue	<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)	32,200	30,200	29,250	26,150	24,550
Technology products and solutions application services subscribers (J)	29,500	27,600	26,600	23,600	21,900
Music subscribers:					
Consumer music subscribers (K)	1,875	1,900	1,925	1,850	1,875
Technology products and solutions application services music subscribers (L)	800	825	825	825	800
Total Music Subscribers**	<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 to adjusted EBITDA is as follows:

	Quarters Ended				
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
	(in thousands)				
Net income in accordance with GAAP	\$ 2,426	\$ 2,685	\$ 4,342	\$ 1,327	\$ 39,961
Interest income, net	(4,958)	(6,417)	(7,290)	(8,065)	(9,102)
Stock-based compensation	5,489	6,627	5,984	5,622	5,685
Loss (gain) on equity investments	-	34	-	(132)	-
Conversion of WiderThan stock options to a cash equivalent	89	190	413	614	845
Depreciation and amortization	6,282	5,703	6,210	5,661	4,621
Acquisitions related intangible asset amortization (net of minority interest effect)	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	179	201	202	471
Charitable contributions	-	-	-	-	1,921
Income taxes	4,008	47	2,012	2,178	23,219
Adjusted EBITDA	<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 March 31, 2008				
	Music ^(A)	Consumer ^(B)	TPS ^(C)	Other	Grand Total
	(in thousands)				
Net revenue	\$ 38,079	\$ 58,207	\$ 51,277	\$ -	\$ 147,563
Cost of revenue	21,519	12,613	21,261	-	55,393
Gross profit	16,560	45,594	30,016	-	92,170
Gross margin	43%	78%	59%	-	62%
Operating expenses:					
Advertising with related party	7,340	-	-	-	7,340
Restructuring charge	-	-	-	686	686
Other operating expenses	25,631	37,632	32,186	237	95,686
Total operating expenses	32,971	37,632	32,186	923	103,712
Income (loss) from operations	(16,411)	7,962	(2,170)	(923)	(11,542)
Other income (expenses):					
Interest income, net	-	-	-	4,958	4,958
Minority interest	8,615	-	-	-	8,615
Equity in net loss of investments	-	-	-	(91)	(91)
Gain on sale of interest in Rhapsody America	3,726	-	-	-	3,726
Other income	-	-	-	768	768
Other income, net	12,341	-	-	5,635	17,976
Income (loss) before income taxes	<u>\$ (4,070)</u>	<u>\$ 7,962</u>	<u>\$ (2,170)</u>	<u>\$ 4,712</u>	<u>\$ 6,434</u>

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

Income (loss) before income taxes	\$ (4,070)	\$ 7,962	\$ (2,170)	\$ 4,712	\$ 6,434
Interest income, net	-	-	-	(4,958)	(4,958)
Stock-based compensation	1,079	1,836	2,574	-	5,489
Conversion of WiderThan stock options to a cash equivalent	-	-	89	-	89
Acquisitions related intangible asset amortization ^(D)	384	805	5,126	-	6,315
Gain on initial formation of Rhapsody America	-	-	-	-	-
Depreciation and amortization ^(D)	1,410	2,041	2,831	-	6,282
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	-	-	202	202
Charitable contributions	-	-	-	-	-
Adjusted EBITDA	<u>\$ (1,197)</u>	<u>\$ 12,644</u>	<u>\$ 8,450</u>	<u>\$ (44)</u>	<u>\$ 19,853</u>

	Quarter Ended March 31, 2007				
	Music ^(A)	Consumer ^(B)	TPS ^(C)	Other	Grand Total
	(in thousands)				
Net revenue	\$ 34,127	\$ 50,913	\$ 44,432	\$ -	\$ 129,472
Cost of revenue	18,875	9,128	17,940	-	45,943
Gross profit	15,252	41,785	26,492	-	83,529
Gross margin	45%	82%	60%	-	65%
Operating expenses:					
Other operating expenses	24,949	32,907	30,538	(58,608)	29,786
Total operating expenses	24,949	32,907	30,538	(58,608)	29,786
Income (loss) from operations	(9,697)	8,878	(4,046)	58,608	53,743
Other income (expenses):					
Interest income, net	-	-	-	9,102	9,102
Equity in net loss of investments	-	-	-	(132)	(132)
Other income	-	-	-	467	467
Other income, net	-	-	-	9,437	9,437
Income (loss) before income taxes	\$ (9,697)	\$ 8,878	\$ (4,046)	\$ 68,045	\$ 63,180

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

Income (loss) before income taxes	\$ (9,697)	\$ 8,878	\$ (4,046)	\$ 68,045	\$ 63,180
Interest income, net	-	-	-	(9,102)	(9,102)
Stock-based compensation	1,040	2,256	2,389	-	5,685
Conversion of WiderThan stock options to a cash equivalent	-	-	845	-	845
Acquisitions related intangible asset amortization ^(D)	22	723	4,567	-	5,312
Depreciation and amortization ^(D)	1,260	1,417	1,944	-	4,621
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	(61,000)	(61,000)
Expenses	-	-	-	471	471
Charitable contributions	-	-	-	1,921	1,921
Adjusted EBITDA	\$ (7,375)	\$ 13,274	\$ 5,699	\$ 335	\$ 11,933

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 March 31, 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	\$ 55,393	\$ (234)	\$ (2,315)	\$ (21)	\$ -	\$ 52,823
Operating expenses:						
Research and development	\$ 25,006	\$ (1,913)	\$ -	\$ (46)	\$ -	\$ 23,047
Sales and marketing	53,596	(1,908)	(4,000)	(22)	-	47,666
Advertising with related party	7,340	-	-	-	-	7,340
General and administrative	17,084	(1,434)	-	-	(202)	15,448
Restructuring charge	686	-	-	-	-	686
Total adjusted operating expenses, net	<u>\$ 103,712</u>	<u>\$ (5,255)</u>	<u>\$ (4,000)</u>	<u>\$ (68)</u>	<u>\$ (202)</u>	<u>\$ 94,187</u>

Quarter Ended March 31, 2007						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization	WiderThan Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
Expenses in accordance with GAAP						
Cost of revenue	\$ 45,943	\$ (159)	\$ (2,144)	\$ (127)	\$ -	\$ 43,513
Operating expenses:						
Research and development	\$ 23,479	\$ (1,772)	\$ -	\$ (151)	\$ -	\$ 21,556
Sales and marketing	49,700	(2,387)	(3,168)	(349)	-	43,796
General and administrative	17,354	(1,367)	-	(218)	(2,139)	13,630
Antitrust litigation benefit, net	(60,747)	-	-	-	60,747	-
Total adjusted operating expenses, net	<u>\$ 29,786</u>	<u>\$ (5,526)</u>	<u>\$ (3,168)</u>	<u>\$ (718)</u>	<u>\$ 58,608</u>	<u>\$ 78,982</u>

(A) - Net of minority interest effect.

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

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

	Quarter Ending June 30, 2008		Year Ending December 31, 2008	
	Low	High	Low	High
Net income in accordance with GAAP	\$ (5.4)	\$ -	\$ (8.0)	\$ -
Interest income, net & other	(3.2)	(3.4)	(13.0)	(14.0)
Stock-based compensation and conversion of WiderThan stock options to a cash equivalent	5.6	6.5	22.0	26.0
Depreciation and amortization, including acquisitions related intangible asset amortization (net of minority interest effect)	15.0	14.4	58.0	56.0
Income taxes	2.0	(0.5)	3.0	6.0
Total adjusted EBITDA	<u>\$ 14.0</u>	<u>\$ 17.0</u>	<u>\$ 62.0</u>	<u>\$ 74.0</u>