

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

	Quarter Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
	(in thousands, except per share data)			
Net revenue:				
Software license fees	\$ 13,560	15,590	\$ 61,970	72,753
Service revenue	38,612	28,695	134,058	103,161
Advertising	1,884	1,926	6,349	6,765
Total net revenue	<u>54,056</u>	<u>46,211</u>	<u>202,377</u>	<u>182,679</u>
Cost of revenue:				
Software license fees	3,673	1,560	9,917	6,865
Service revenue	16,709	11,267	56,690	41,259
Advertising	398	548	1,736	2,145
Total cost of revenue	<u>20,780</u>	<u>13,375</u>	<u>68,343</u>	<u>50,269</u>
Gross profit	<u>33,276</u>	<u>32,836</u>	<u>134,034</u>	<u>132,410</u>
Operating expenses:				
Research and development	11,922	11,340	46,763	48,186
Sales and marketing	20,638	18,427	77,335	73,928
General and administrative	4,186	5,263	21,007	19,820
Antitrust litigation	1,574	-	1,574	-
Loss on excess office facilities (A)	-	-	7,098	17,207
Personnel reduction, restructuring, and related charges	-	-	-	3,595
Stock based compensation	260	398	1,120	1,328
Total operating expenses	<u>38,580</u>	<u>35,428</u>	<u>154,897</u>	<u>164,064</u>
Operating loss	(5,304)	(2,592)	(20,863)	(31,654)
Other income (expense):				
Interest income	878	1,508	4,251	7,483
Equity in net loss of MusicNet	(1,104)	(1,192)	(5,378)	(6,324)
Impairment of equity investments (B)	-	-	(424)	(5,103)
Other, net	219	(164)	1,107	3,217
Other income (expense), net	<u>(7)</u>	<u>152</u>	<u>(444)</u>	<u>(727)</u>
Loss before income taxes	(5,311)	(2,440)	(21,307)	(32,381)
Income tax expense	<u>(16)</u>	<u>(17)</u>	<u>(144)</u>	<u>(5,972)</u>
Net loss	<u>\$ (5,327)</u>	<u>(2,457)</u>	<u>\$ (21,451)</u>	<u>(38,353)</u>
Basic and diluted net loss per share	<u>\$ (0.03)</u>	<u>(0.02)</u>	<u>\$ (0.13)</u>	<u>(0.24)</u>
Shares used to compute basic and diluted net loss per share	163,755	157,528	160,309	159,365
Net Cash Used in Operating Activities	\$ (5,235)	(1,599)	\$ (9,509)	(788)

(A) The estimated 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 their estimated fair value.

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

	December 31, 2003	December 31, 2002
(in thousands)		
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 373,593	\$ 309,071
Trade accounts receivable, net of allowances for doubtful accounts and sales returns	10,618	6,560
Prepaid expenses and other current assets	8,879	7,278
Total current assets	393,090	322,909
Equipment and leasehold improvements, at cost:		
Equipment and software	37,110	27,536
Leasehold improvements	26,085	25,227
Total equipment and leasehold improvements	63,195	52,763
Less accumulated depreciation and amortization	33,258	22,718
Net equipment and leasehold improvements	29,937	30,045
Restricted cash equivalents	19,953	17,300
Investments	34,577	29,196
Goodwill, net	97,477	60,077
Other intangible assets, net	1,065	848
Other	4,840	1,726
Total assets	\$ 580,939	\$ 462,101
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,865	\$ 7,830
Accrued and other liabilities	39,400	31,083
Deferred revenue, excluding non-current portion	31,186	31,771
Accrued loss on excess office facilities, excluding non-current portion	4,960	3,825
Total current liabilities	82,411	74,509
Deferred revenue, excluding current portion	4,561	12,446
Accrued loss on excess office facilities, excluding current portion	24,099	22,110
Deferred rent	3,382	3,271
Convertible debt	100,000	-
Total shareholders' equity	366,486	349,765
Total liabilities and shareholders' equity	\$ 580,939	\$ 462,101

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

Quarter Ended December 31,	Quarter Ended September 30,	Quarter Ended December 31,	Year Ended December 31,	
2003	2003	2002	2003	2002

(in thousands)

Net Revenue by Type:

Consumer products and services (A)	\$ 41,214	36,377	32,379	\$ 143,649	113,538
Technology products and services (B)	12,842	15,432	13,832	58,728	69,141
Total net revenue	\$ 54,056	51,809	46,211	\$ 202,377	182,679

Net Revenue of Consumer Products and Services:

Subscriptions (C)	\$ 30,075	27,909	22,677	\$ 107,093	75,497
E-commerce and other (D)	11,139	8,468	9,702	36,556	38,041
Total consumer products and services revenue	\$ 41,214	36,377	32,379	\$ 143,649	113,538

Net Revenue for Selected Consumer Products and Services

Music (E)	\$ 7,937	4,655	416	\$ 15,093	960
Games (F)	3,930	3,150	1,998	12,162	7,794

Net Revenue by Geography:

United States	\$ 40,175	37,660	33,699	\$ 147,613	132,009
Europe	8,492	8,710	6,706	32,106	27,019
Rest of world	5,389	5,439	5,806	22,658	23,651
Total net revenue	\$ 54,056	51,809	46,211	\$ 202,377	182,679

Subscribers (presented as greater than)

Total	1,300	1,150	900
Music	350	250	75

(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 RadioPass and Rhapsody subscription services and sales of music content

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