

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

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(in thousands, except per share data)			
Net revenue	\$ 145,095	\$ 93,676	\$ 410,738	\$ 269,687
Cost of revenue	<u>56,644</u>	<u>28,389</u>	<u>151,786</u>	<u>81,788</u>
Gross profit	<u>88,451</u>	<u>65,287</u>	<u>258,952</u>	<u>187,899</u>
Operating expenses:				
Research and development	26,528	18,344	75,012	55,127
Sales and marketing	52,812	37,560	152,593	111,604
Advertising with related party (A)	7,747	-	7,747	-
General and administrative	16,750	14,043	51,167	41,586
Loss on excess office facilities (B)	<u>-</u>	<u>-</u>	<u>-</u>	<u>738</u>
Subtotal operating expenses	103,837	69,947	286,519	209,055
Antitrust litigation benefit, net (C)	<u>-</u>	<u>(61,861)</u>	<u>(60,747)</u>	<u>(159,554)</u>
Total operating expenses	<u>103,837</u>	<u>8,086</u>	<u>225,772</u>	<u>49,501</u>
Operating (loss) income	<u>(15,386)</u>	<u>57,201</u>	<u>33,180</u>	<u>138,398</u>
Other income (expenses):				
Interest and other, net	7,290	10,618	24,457	27,978
Gain on sale of equity investments	-	-	132	2,286
Equity in net loss of investments	-	-	(132)	-
Minority interest in Rhapsody America (D)	6,466	-	6,466	-
Gain on initial formation of Rhapsody America (E)	3,866	-	3,866	-
Gain on sale of interest in Rhapsody America (F)	4,080	-	4,080	-
Other income	<u>38</u>	<u>242</u>	<u>990</u>	<u>432</u>
Other income, net	<u>21,740</u>	<u>10,860</u>	<u>39,859</u>	<u>30,696</u>
Income before income taxes	6,354	68,061	73,039	169,094
Income taxes	<u>(2,012)</u>	<u>(25,908)</u>	<u>(27,409)</u>	<u>(63,180)</u>
Net income	<u>\$ 4,342</u>	<u>\$ 42,153</u>	<u>\$ 45,630</u>	<u>\$ 105,914</u>
Basic net income per share	\$ 0.03	\$ 0.26	\$ 0.30	\$ 0.66
Diluted net income per share	\$ 0.03	\$ 0.24	\$ 0.27	\$ 0.59
Shares used to compute basic net income per share	149,667	160,578	154,670	160,467
Shares used to compute diluted net income per share	163,094	178,913	169,840	178,551

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

(B) The loss on unoccupied excess office facilities represents an increase in the estimate of loss from building operating costs that are not expected to be recovered.

(C) 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.

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

(E) Consists of gains realized from MTVN's asset contributions to Rhapsody America.

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

**RealNetworks, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

(Unaudited)

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>(in thousands)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 197,738	\$ 525,232
Short-term investments	392,625	153,688
Trade accounts receivable, net	80,734	65,751
Deferred costs, current portion	6,280	1,643
Deferred tax assets, net, current portion	224	891
Prepaid expenses and other current assets	27,235	21,990
	<hr/>	<hr/>
Total current assets	704,836	769,195
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	102,337	83,587
Leasehold improvements	30,496	29,665
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Total equipment, software, and leasehold improvements	132,833	113,252
Less accumulated depreciation and amortization	78,676	65,509
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Net equipment, software, and leasehold improvements	54,157	47,743
Restricted cash equivalents	15,500	17,300
Equity investments	7,814	22,649
Other assets	7,967	5,148
Deferred tax assets, net, non-current portion	37,584	27,150
Other intangible assets, net	109,681	105,109
Goodwill	337,406	309,122
	<hr/>	<hr/>
Total assets	\$ 1,274,945	\$ 1,303,416
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 54,241	\$ 52,097
Accrued and other liabilities	119,128	104,328
Deferred revenue, current portion	38,601	24,137
Related party payable (A)	8,025	-
Accrued loss on excess office facilities, current portion	3,398	4,508
	<hr/>	<hr/>
Total current liabilities	223,393	185,070
Deferred revenue, non-current portion	2,815	3,440
Accrued loss on excess office facilities, non-current portion	7,563	9,993
Deferred rent	4,503	4,331
Deferred tax liabilities, net, non-current portion	23,634	27,076
Convertible debt	100,000	100,000
Other long-term liabilities	9,884	3,740
	<hr/>	<hr/>
Total liabilities	371,792	333,650
Minority Interest (B)	7,685	-
Shareholders' equity	895,468	969,766
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Total liabilities and shareholders' equity	\$ 1,274,945	\$ 1,303,416
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(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**  
**Supplemental Financial Information**  
(Unaudited)

	2007			2006			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)						
<b>Net Revenue by Line of Business:</b>							
Consumer products and services (A)	\$ 91,824	\$ 87,115	\$ 85,040	\$ 88,022	\$ 82,497	\$ 77,442	\$ 74,811
Technology products and solutions (B)	53,271	49,056	44,432	37,552	11,179	11,967	11,791
Total net revenue	<u>\$ 145,095</u>	<u>\$ 136,171</u>	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
<b>Consumer Products and Services:</b>							
Subscriptions (C)	\$ 55,551	\$ 51,091	\$ 51,490	\$ 50,835	\$ 50,878	\$ 47,452	\$ 47,832
Media properties (D)	16,071	17,748	15,932	18,815	13,883	11,546	9,484
E-commerce and other (E)	20,202	18,276	17,618	18,372	17,736	18,444	17,495
Total consumer products and services revenue	<u>\$ 91,824</u>	<u>\$ 87,115</u>	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
<b>Consumer Products and Services:</b>							
Music (F)	\$ 37,658	\$ 36,801	\$ 34,127	\$ 33,623	\$ 30,375	\$ 30,118	\$ 28,918
Media software and services (G)	25,346	25,419	27,011	30,513	29,586	26,127	27,277
Games (H)	28,820	24,895	23,902	23,886	22,536	21,197	18,616
Total consumer products and services revenue	<u>\$ 91,824</u>	<u>\$ 87,115</u>	<u>\$ 85,040</u>	<u>\$ 88,022</u>	<u>\$ 82,497</u>	<u>\$ 77,442</u>	<u>\$ 74,811</u>
<b>Net Revenue by Geography:</b>							
United States	\$ 91,281	\$ 88,035	\$ 84,554	\$ 81,758	\$ 69,433	\$ 66,542	\$ 65,700
Rest of world	53,814	48,136	44,918	43,816	24,243	22,867	20,902
Total net revenue	<u>\$ 145,095</u>	<u>\$ 136,171</u>	<u>\$ 129,472</u>	<u>\$ 125,574</u>	<u>\$ 93,676</u>	<u>\$ 89,409</u>	<u>\$ 86,602</u>
<b>Subscribers (presented as greater than) *:</b>							
Total Subscribers (I)	29,250	26,150	24,550	22,700	2,450	2,400	2,400
Technology Products and Solutions Application Services Subscribers (J)	26,600	23,600	21,900	20,200			
Total Music Subscribers (K)	2,750	2,700	2,675	2,550	1,650	1,625	1,575

\*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.

(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) Music subscribers represent an aggregate of all of our music services and include both Technology Products and Solutions application services subscribers and consumer subscription services. Music subscribers include: Rhapsody, Rhapsody-to-Go, premium radio, and Music-on-Demand. Revenue from Technology Products and Solutions application services, including Music-on-Demand, are included in our Technology Products and Solutions revenue.

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

Reconciliation of GAAP net income to adjusted net income is as follows:

	Quarters Ended						
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands, except per share data)						
Net income in accordance with GAAP	\$ 4,342	\$ 1,327	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Stock-based compensation	5,984	5,622	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	-	(132)	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	413	614	845	641	-	-	-
Acquisitions related intangible asset amortization* (net of minority interest effect)	5,583	5,311	5,312	3,530	569	445	727
Gain on initial formation of Rhapsody America	(3,866)	-	-	-	-	-	-
Expenses (benefit) related to antitrust litigation:							
Income	-	-	(61,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	201	202	471	1,026	1,000	997	971
Charitable contributions	-	-	1,921	2,009	1,889	1,805	1,225
Tax impact of above pro forma items*	(3,187)	(3,858)	20,051	18,428	20,370	19,569	12,446
Change in income tax valuation allowance	(255)	(143)	(2,805)	(2,662)	-	-	-
Adjusted net income	<u>\$ 9,215</u>	<u>\$ 8,943</u>	<u>\$ 10,441</u>	<u>\$ 10,209</u>	<u>\$ 9,002</u>	<u>\$ 5,081</u>	<u>\$ 3,890</u>
GAAP basic net income per share	\$ 0.03	\$ 0.01	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.24	\$ 0.15
GAAP diluted net income per share	\$ 0.03	\$ 0.01	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.22	\$ 0.14
Adjusted basic net income per share*	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.03	\$ 0.02
Adjusted diluted net income per share*	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.05	\$ 0.03	\$ 0.02
Shares used to compute basic net income per share	149,667	153,880	161,350	162,130	160,578	159,938	160,887
Shares used to compute diluted net income per share	163,094	169,033	178,053	180,919	178,913	177,337	176,923

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

	Quarters Ended						
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	(in thousands)						
Net income in accordance with GAAP	\$ 4,342	\$ 1,327	\$ 39,961	\$ 39,302	\$ 42,153	\$ 38,878	\$ 24,883
Interest income, net	(7,290)	(8,065)	(9,102)	(9,644)	(10,618)	(9,381)	(7,979)
Stock-based compensation	5,984	5,622	5,685	5,819	5,021	3,673	3,638
Loss (gain) on equity investments	-	(132)	-	3,116	-	(2,286)	-
Conversion of WiderThan stock options to a cash equivalent	413	614	845	641	-	-	-
Depreciation and amortization	6,210	5,661	4,621	4,970	3,692	3,522	3,525
Acquisitions related intangible asset amortization* (net of minority interest effect)	5,583	5,311	5,312	3,530	569	445	727
Gain on initial formation of Rhapsody America	(3,866)	-	-	-	-	-	-
Expenses (benefit) related to antitrust litigation:							
Income	-	-	(61,000)	(61,000)	(62,000)	(58,000)	(40,000)
Expenses	201	202	471	1,026	1,000	997	971
Charitable contributions	-	-	1,921	2,009	1,889	1,805	1,225
Income taxes	2,012	2,178	23,219	19,357	25,908	22,521	14,751
Adjusted EBITDA	<u>\$ 13,589</u>	<u>\$ 12,718</u>	<u>\$ 11,933</u>	<u>\$ 9,126</u>	<u>\$ 7,614</u>	<u>\$ 2,174</u>	<u>\$ 1,741</u>

\* 2006 results have been restated to include acquisition related intangible asset amortization and related tax impact to conform to the pro forma presentation for 2007.

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

	Quarter Ended September 30, 2007				
	Music <sup>(A)</sup>	Consumer <sup>(B)</sup>	TPS <sup>(C)</sup>	Other	Grand Total
	(in thousands)				
Net revenue	\$ 37,658	\$ 54,166	\$ 53,271	\$ -	\$ 145,095
Cost of revenue	20,891	10,326	25,427	-	56,644
Gross profit	16,767	43,840	27,844	-	88,451
Gross margin	45%	81%	52%	-	61%
Operating expenses:					
Advertising with related party	7,747	-	-	-	7,747
Other operating expenses	25,679	36,782	33,428	201	96,090
Total operating expenses	33,426	36,782	33,428	201	103,837
Income (loss) from operations	(16,659)	7,058	(5,584)	(201)	(15,386)
Other income (expenses):					
Interest income, net	-	-	-	7,290	7,290
Minority interest	6,466	-	-	-	6,466
Gain on initial formation of Rhapsody America	3,866	-	-	-	3,866
Gain on sale of interest in Rhapsody America	4,080	-	-	-	4,080
Other income	-	-	-	38	38
Other income, net	14,412	-	-	7,328	21,740
Income before income taxes	<u>\$ (2,247)</u>	<u>\$ 7,058</u>	<u>\$ (5,584)</u>	<u>\$ 7,127</u>	<u>\$ 6,354</u>

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

Income before income taxes	\$ (2,247)	\$ 7,058	\$ (5,584)	\$ 7,127	\$ 6,354
Interest income, net	-	-	-	(7,290)	(7,290)
Stock-based compensation	1,130	2,367	2,487	-	5,984
Conversion of WiderThan stock options to a cash equivalent	-	-	413	-	413
Acquisition related intangible amortization <sup>(D)</sup>	173	416	4,994	-	5,583
Gain on initial formation of Rhapsody America	(3,866)	-	-	-	(3,866)
Depreciation and amortization	1,233	1,578	3,399	-	6,210
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	-	-	201	201
Charitable contributions	-	-	-	-	-
Adjusted EBITDA	<u>\$ (3,577)</u>	<u>\$ 11,419</u>	<u>\$ 5,709</u>	<u>\$ 38</u>	<u>\$ 13,589</u>

	Quarter Ended June 30, 2007				
	Music <sup>(A)</sup>	Consumer <sup>(B)</sup>	TPS <sup>(C)</sup>	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	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	-	-	-	132	132
Other income	-	-	-	485	485
Other income, net	-	-	-	8,682	8,682
Income before income taxes	<u>\$ (7,040)</u>	<u>\$ 6,064</u>	<u>\$ (3,999)</u>	<u>\$ 8,480</u>	<u>\$ 3,505</u>

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

Income 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
Acquisition related intangible amortization <sup>(D)</sup>	22	583	4,706	-	5,311
Loss (gain) on equity investments	-	-	-	(132)	(132)
Depreciation and amortization	1,214	1,461	2,986	-	5,661
Expenses (benefit) related to antitrust litigation:					
Income	-	-	-	-	-
Expenses	-	-	-	202	202
Charitable contributions	-	-	-	-	-
Adjusted EBITDA	<u>\$ (4,675)</u>	<u>\$ 10,250</u>	<u>\$ 6,658</u>	<u>\$ 485</u>	<u>\$ 12,718</u>

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

	Quarter Ended March 31, 2007				
	Music <sup>(A)</sup>	Consumer <sup>(B)</sup>	TPS <sup>(C)</sup>	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	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 before income taxes	<u>\$ (9,697)</u>	<u>\$ 8,878</u>	<u>\$ (4,046)</u>	<u>\$ 68,045</u>	<u>\$ 63,180</u>

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

Income 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
Acquisition related intangible amortization <sup>(D)</sup>	22	723	4,567	-	5,312
Depreciation and amortization	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	<u>\$ (7,375)</u>	<u>\$ 13,274</u>	<u>\$ 5,699</u>	<u>\$ 335</u>	<u>\$ 11,933</u>

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 including GameHouse, Mr. Goodliving, Zylom (acquired in January 2006), and Atrativa (acquired in November 2006); 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 Services 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.

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

Quarter Ended September 30, 2007						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization <sup>(A)</sup>	Wider Than Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
<b>Expenses in accordance with GAAP</b>						
Cost of revenue	\$ 56,644	\$ (208)	\$ (1,961)	\$ (65)	\$ -	\$ 54,410
Operating expenses:						
Research and development	\$ 26,528	\$ (1,740)	\$ -	\$ (78)	\$ -	\$ 24,710
Sales and marketing	52,812	(2,395)	(3,622)	(190)	-	46,605
Advertising with related party	7,747	-	-	-	-	7,747
General and administrative	16,750	(1,641)	-	(80)	(201)	14,828
Total adjusted operating expenses, net	<u>\$ 103,837</u>	<u>\$ (5,776)</u>	<u>\$ (3,622)</u>	<u>\$ (348)</u>	<u>\$ (201)</u>	<u>\$ 93,890</u>

Quarter Ended September 30, 2006						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization <sup>(B)</sup>	Antitrust Litigation Related	Adjusted		
(in thousands)						
<b>Expenses in accordance with GAAP</b>						
Cost of revenue <sup>(B)</sup>	\$ 28,389	\$ (57)	\$ (234)	\$ -	\$ 28,098	
Operating expenses:						
Research and development	\$ 18,344	\$ (1,878)	\$ -	\$ -	\$ 16,466	
Sales and Marketing <sup>(B)</sup>	37,560	(1,920)	(335)	-	35,305	
General and administrative	14,043	(1,166)	-	(2,750)	10,127	
Antitrust litigation benefit, net	(61,861)	-	-	61,861	-	
Total adjusted operating expenses, net <sup>(B)</sup>	<u>\$ 8,086</u>	<u>\$ (4,964)</u>	<u>\$ (335)</u>	<u>\$ 59,111</u>	<u>\$ 61,898</u>	

Nine Months Ended September 30, 2007						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization <sup>(A)</sup>	Wider Than Options Converted to a Cash Equivalent	Antitrust Litigation Related	Adjusted	
(in thousands)						
<b>Expenses in accordance with GAAP</b>						
Cost of revenue	\$ 151,786	\$ (520)	\$ (6,093)	\$ (309)	\$ -	\$ 144,864
Operating expenses:						
Research and development	\$ 75,012	\$ (5,153)	\$ -	\$ (357)	\$ -	\$ 69,502
Sales and marketing	152,593	(6,985)	(10,113)	(838)	-	134,657
Advertising with related party	7,747	-	-	-	-	7,747
General and administrative	51,167	(4,633)	-	(368)	(2,542)	43,624
Antitrust litigation benefit, net	(60,747)	-	-	-	60,747	-
Total adjusted operating expenses, net	<u>\$ 225,772</u>	<u>\$ (16,771)</u>	<u>\$ (10,113)</u>	<u>\$ (1,563)</u>	<u>\$ 58,205</u>	<u>\$ 255,530</u>

Nine Months Ended September 30, 2006						
As Reported	Stock-Based Compensation	Acquisitions Related Intangible Asset Amortization <sup>(B)</sup>	Antitrust Litigation Related	Adjusted		
(in thousands)						
<b>Expenses in accordance with GAAP</b>						
Cost of revenue <sup>(B)</sup>	\$ 81,788	\$ (148)	\$ (810)	\$ -	\$ 80,830	
Operating expenses:						
Research and development	\$ 55,127	\$ (4,565)	\$ -	\$ -	\$ 50,562	
Sales and Marketing <sup>(B)</sup>	111,604	(4,713)	(931)	-	105,960	
General and administrative	41,586	(2,906)	-	(7,441)	31,239	
Loss on excess office facilities	738	-	-	-	738	
Antitrust litigation benefit, net	(159,554)	-	-	159,554	-	
Total adjusted operating expenses, net <sup>(B)</sup>	<u>\$ 49,501</u>	<u>\$ (12,184)</u>	<u>\$ (931)</u>	<u>\$ 152,113</u>	<u>\$ 188,499</u>	

(A) - Net of minority interest effect.

(B) - 2006 results have been restated to include acquisition related intangible asset amortization to conform to the pro forma presentation for 2007.

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

A reconciliation of GAAP net income per diluted share guidance for the quarter ending December 31, 2007 and the full year ending December 31, 2007 to adjusted net income per diluted share guidance is as follows:

	<b>Quarter Ending December 31, 2007</b>		<b>Year Ending December 31, 2007</b>	
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
Net income per diluted share in accordance with GAAP	\$ 0.00	\$ 0.01	\$ 0.28	\$ 0.29
Stock based compensation	0.05	0.05	0.15	0.15
Conversion of WiderThan stock options to a cash equivalent	-	-	0.01	0.01
Acquisitions related intangible asset amortization	0.04	0.04	0.13	0.13
Net benefit related to antitrust litigation	-	-	(0.35)	(0.35)
Gain on initial formation of Rhapsody America	-	-	(0.02)	(0.02)
Tax impact of above pro forma items	(0.03)	(0.03)	0.05	0.05
Change in income tax valuation allowance	-	-	(0.02)	(0.02)
<b>Total adjusted net income per diluted share</b>	<b>\$ 0.06</b>	<b>\$ 0.07</b>	<b>\$ 0.23</b>	<b>\$ 0.24</b>