

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

| | Quarters Ended | | Years Ended | |
|--|---------------------------------------|-----------------|---------------------|------------------|
| | December 31, | | December 31, | |
| | 2008 | 2007 | 2008 | 2007 |
| | (in thousands, except per share data) | | | |
| Net revenue | \$ 152,644 | \$ 156,882 | \$ 604,810 | \$ 567,620 |
| Cost of revenue | 60,042 | 61,705 | 233,244 | 213,491 |
| Impairment of deferred costs and prepaid royalties | 19,666 | - | 19,666 | - |
| Gross profit | <u>72,936</u> | <u>95,177</u> | <u>351,900</u> | <u>354,129</u> |
| Operating expenses: | | | | |
| Research and development | 28,533 | 27,719 | 113,680 | 102,731 |
| Sales and marketing | 50,192 | 56,819 | 211,922 | 209,412 |
| Advertising with related party (A) | 12,480 | 16,613 | 44,213 | 24,360 |
| General and administrative | 19,107 | 16,159 | 69,981 | 67,326 |
| Impairment of long-lived assets | 192,676 | - | 192,676 | - |
| Restructuring and other charges | 6,147 | 3,748 | 6,833 | 3,748 |
| Subtotal operating expenses | <u>309,135</u> | <u>121,058</u> | <u>639,305</u> | <u>407,577</u> |
| Antitrust litigation benefit, net (B) | - | - | - | (60,747) |
| Total operating expenses | <u>309,135</u> | <u>121,058</u> | <u>639,305</u> | <u>346,830</u> |
| Operating income (loss) | <u>(236,199)</u> | <u>(25,881)</u> | <u>(287,405)</u> | <u>7,299</u> |
| Other income (expenses): | | | | |
| Interest income, net | 2,255 | 6,417 | 13,453 | 30,874 |
| Equity in net loss of investments | (271) | (308) | (695) | (440) |
| Gain (loss) on sale of equity investment, net | (12) | (34) | 210 | 98 |
| Minority interest in Rhapsody America (C) | 12,426 | 13,318 | 41,555 | 19,784 |
| Gain on sale of interest in Rhapsody America (D) | - | 8,464 | 14,502 | 16,410 |
| Other income (expense), net | (1,306) | 756 | 330 | 1,746 |
| Total other income (expense), net | <u>13,092</u> | <u>28,613</u> | <u>69,355</u> | <u>68,472</u> |
| Income (loss) before income taxes | (223,107) | 2,732 | (218,050) | 75,771 |
| Income taxes | (17,392) | (47) | (25,828) | (27,456) |
| Net income (loss) | <u>\$ (240,499)</u> | <u>\$ 2,685</u> | <u>\$ (243,878)</u> | <u>\$ 48,315</u> |
| Basic net income (loss) per share | \$ (1.78) | \$ 0.02 | \$ (1.74) | \$ 0.32 |
| Diluted net income (loss) per share | \$ (1.78) | \$ 0.02 | \$ (1.74) | \$ 0.29 |
| Shares used to compute basic net income (loss) per share | 135,402 | 144,387 | 140,431 | 151,665 |
| Shares used to compute diluted net income (loss) per share | 135,402 | 157,626 | 140,431 | 166,410 |

(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. In accordance with Staff Accounting Bulletin 51, "Accounting for Sales of Stock of a Subsidiary," (SAB 51) beginning in the fourth quarter of 2008, this gain is recognized as a component of shareholders' equity.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(Unaudited)

| | As of December 31, 2008 | As of December 31, 2007 |
|---|--|--|
| | (in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 232,968 | \$ 476,697 |
| Short-term investments | 137,766 | 79,932 |
| Trade accounts receivable, net | 70,201 | 84,674 |
| Deferred costs, current portion | 4,026 | 6,408 |
| Prepaid expenses and other current assets | <u>34,599</u> | <u>33,845</u> |
| Total current assets | <u>479,560</u> | <u>681,556</u> |
| Equipment, software, and leasehold improvements, at cost: | | |
| Equipment and software | 135,788 | 109,621 |
| Leasehold improvements | <u>30,719</u> | <u>30,632</u> |
| Total equipment, software, and leasehold improvements | 166,507 | 140,253 |
| Less accumulated depreciation and amortization | <u>103,500</u> | <u>83,756</u> |
| Net equipment, software, and leasehold improvements | 63,007 | 56,497 |
| Restricted cash equivalents and investments | 14,742 | 15,509 |
| Equity investments | 18,582 | 9,976 |
| Other assets | 9,895 | 10,161 |
| Deferred tax assets, net, non-current portion | 9,236 | 40,913 |
| Other intangible assets, net | 18,727 | 107,677 |
| Goodwill | <u>175,264</u> | <u>353,153</u> |
| Total assets | <u>\$ 789,013</u> | <u>\$ 1,275,442</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 36,575 | \$ 56,160 |
| Accrued and other liabilities | 118,688 | 114,136 |
| Deferred revenue, current portion | 39,835 | 39,564 |
| Related party payable (A) | 13,155 | 17,241 |
| Convertible debt | - | 100,000 |
| Accrued loss on excess office facilities, current portion | <u>4,317</u> | <u>3,389</u> |
| Total current liabilities | 212,570 | 330,490 |
| Deferred revenue, non-current portion | 1,961 | 2,663 |
| Accrued loss on excess office facilities, non-current portion | 2,893 | 7,311 |
| Deferred rent | 4,614 | 4,518 |
| Deferred tax liabilities, net, non-current portion | 1,379 | 22,060 |
| Other long-term liabilities | <u>11,660</u> | <u>13,683</u> |
| Total liabilities | 235,077 | 380,725 |
| Minority interest (B) | 378 | 19,613 |
| Shareholders' equity (C) | <u>553,558</u> | <u>875,104</u> |
| Total liabilities and shareholders' equity | <u>\$ 789,013</u> | <u>\$ 1,275,442</u> |

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

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

(C) In accordance with SAB 51, beginning in Q4 2008, shareholders' equity includes gains realized from MTVN's note payments to Rhapsody America.

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

| | Years Ended December 31, | |
|--|--------------------------|-------------------|
| | 2008 | 2007 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (243,878) | \$ 48,315 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 45,968 | 45,225 |
| Stock-based compensation | 23,531 | 23,918 |
| Loss on disposal of equipment, software, and leasehold improvements | 10 | 302 |
| Equity in net loss of investments | 198 | 440 |
| Gain on sale of equity investment, net | (210) | (98) |
| Excess tax benefit from stock option exercises | (127) | (562) |
| Accrued impairment of deferred costs and prepaid royalties | 2,146 | - |
| Impairment of long-lived assets | 192,676 | - |
| Accrued restructuring and other charges | 3,378 | - |
| Accrued loss on excess office facilities | (3,490) | (3,801) |
| Proceeds on sale of trading securities | - | 270,000 |
| Purchase of trading securities | - | (270,000) |
| Deferred income taxes, net | 11,583 | (9,549) |
| Minority interest in Rhapsody America | (41,555) | (19,784) |
| Gain on sale of interest in Rhapsody America | (14,502) | (16,410) |
| Other | 111 | 95 |
| Net change in certain assets and liabilities, net of acquisitions | (5,622) | 318 |
| Net cash provided by (used in) operating activities | <u>(29,783)</u> | <u>68,409</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment, software, and leasehold improvements | (29,530) | (26,658) |
| Purchases of short-term investments | (251,887) | (133,427) |
| Proceeds from sales and maturities of short-term investments | 194,052 | 207,183 |
| Purchases of intangible assets | (2,839) | (2,796) |
| Proceeds from the sales of equity investments | 1,139 | 1,615 |
| Purchases of equity investments | (14,400) | (1,656) |
| Payment of acquisition costs, net of cash acquired | (10,192) | (45,599) |
| Decrease in restricted cash equivalents and investments | 768 | 1,805 |
| Net cash provided by (used in) investing activities | <u>(112,889)</u> | <u>467</u> |
| Cash flows from financing activities: | | |
| Net proceeds from sales of common stock under employee stock purchase plan and exercise of stock options | 9,570 | 15,894 |
| Payments of convertible debt obligations | (100,000) | - |
| Net proceeds from sales of interest in Rhapsody America | 44,640 | 48,716 |
| Excess tax benefit from stock option exercises | 127 | 562 |
| Repurchases of common stock | (50,199) | (178,792) |
| Net cash used in financing activities | <u>(95,862)</u> | <u>(113,620)</u> |
| Effect of exchange rate changes on cash | <u>(5,195)</u> | <u>(3,791)</u> |
| Net decrease in cash and cash equivalents | (243,729) | (48,535) |
| Cash and cash equivalents, beginning of period | <u>476,697</u> | <u>525,232</u> |
| Cash and cash equivalents, end of period | <u>\$ 232,968</u> | <u>\$ 476,697</u> |

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

| | 2008 | | | | 2007 | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | (in thousands) | | | | | | | |
| Net Revenue by Line of Business: | | | | | | | | |
| Consumer products and services (A) | \$ 100,282 | \$ 100,322 | \$ 101,353 | \$ 96,286 | \$ 96,998 | \$ 91,824 | \$ 87,115 | \$ 85,040 |
| Technology products and solutions (B) | 52,362 | 51,633 | 51,295 | 51,277 | 59,884 | 53,271 | 49,056 | 44,432 |
| Total net revenue | <u>\$ 152,644</u> | <u>\$ 151,955</u> | <u>\$ 152,648</u> | <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) | \$ 57,853 | \$ 57,776 | \$ 55,658 | \$ 55,193 | \$ 54,784 | \$ 55,551 | \$ 51,091 | \$ 51,490 |
| Media properties (D) | 18,337 | 19,946 | 23,472 | 18,702 | 20,438 | 16,071 | 17,748 | 15,932 |
| E-commerce and other (E) | 24,092 | 22,600 | 22,223 | 22,391 | 21,776 | 20,202 | 18,276 | 17,618 |
| Total consumer products and services revenue | <u>\$ 100,282</u> | <u>\$ 100,322</u> | <u>\$ 101,353</u> | <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) | \$ 43,882 | \$ 41,591 | \$ 37,170 | \$ 38,079 | \$ 40,540 | \$ 37,658 | \$ 36,801 | \$ 34,127 |
| Media software and services (G) | 22,695 | 24,531 | 29,238 | 26,409 | 25,572 | 25,346 | 25,419 | 27,011 |
| Games (H) | 33,705 | 34,200 | 34,945 | 31,798 | 30,886 | 28,820 | 24,895 | 23,902 |
| Total consumer products and services revenue | <u>\$ 100,282</u> | <u>\$ 100,322</u> | <u>\$ 101,353</u> | <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 | \$ 101,369 | \$ 102,363 | \$ 100,898 | \$ 99,169 | \$ 96,806 | \$ 91,281 | \$ 88,035 | \$ 84,554 |
| Rest of world | 51,275 | 49,592 | 51,750 | 48,394 | 60,076 | 53,814 | 48,136 | 44,918 |
| Total net revenue | <u>\$ 152,644</u> | <u>\$ 151,955</u> | <u>\$ 152,648</u> | <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) | 34,100 | 32,650 | 35,000 | 32,200 | 30,200 | 29,250 | 26,150 | 24,550 |
| Technology products and solutions application services subscribers (J) | 31,500 | 29,950 | 32,450 | 29,500 | 27,600 | 26,600 | 23,600 | 21,900 |
| Music subscribers: | | | | | | | | |
| Consumer music subscribers: | | | | | | | | |
| Rhapsody subscribers | 775 | 750 | 600 | 600 | 600 | 600 | 600 | 600 |
| Radio subscribers | 1,225 | 1,250 | 1,225 | 1,275 | 1,275 | 1,300 | 1,250 | 1,225 |
| Total consumer music subscribers | 2,000 | 2,000 | 1,825 | 1,875 | 1,875 | 1,900 | 1,850 | 1,825 |
| Technology products and solutions application services music subscribers (K) | 875 | 850 | 800 | 800 | 825 | 825 | 825 | 800 |
| Total Music Subscribers** | 2,875 | 2,850 | 2,625 | 2,675 | 2,700 | 2,725 | 2,675 | 2,625 |

* 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) 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 (loss) to adjusted EBITDA and adjusted EBITDA excluding impairments is as follows:

| | Year Ended | Quarters Ended | | | |
|--|----------------------|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2008 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 |
| | (in thousands) | | | | |
| Net income (loss) in accordance with GAAP | \$ (243,878) | \$ (240,499) | \$ (4,500) | \$ (1,305) | \$ 2,426 |
| Interest income, net | (13,453) | (2,255) | (2,865) | (3,375) | (4,958) |
| Stock-based compensation | 23,531 | 6,056 | 5,955 | 6,031 | 5,489 |
| Loss (gain) on equity investments, net | (210) | 12 | - | (222) | - |
| Conversion of WiderThan stock options to a cash equivalent | 142 | 11 | 16 | 26 | 89 |
| Depreciation and amortization (net of minority interest effect) | 24,417 | 5,784 | 6,165 | 6,186 | 6,282 |
| Acquisitions related intangible asset amortization (net of minority interest effect) | 20,110 | 1,872 | 5,752 | 6,171 | 6,315 |
| Impairment of long-lived assets (net of minority interest effect) | 190,347 | 190,347 | - | - | - |
| Gain on initial formation of Rhapsody America | - | - | - | - | - |
| Pro forma gain on sale of interest in Rhapsody America | 6,568 | 6,568 | - | - | - |
| Expenses (benefit) related to antitrust litigation: | | | | | |
| Income | - | - | - | - | - |
| Expenses | 757 | 179 | 174 | 202 | 202 |
| Charitable contributions | - | - | - | - | - |
| Income taxes | 25,828 | 17,392 | 728 | 3,700 | 4,008 |
| Adjusted EBITDA | <u>\$ 34,159</u> | <u>\$ (14,533)</u> | <u>\$ 11,425</u> | <u>\$ 17,414</u> | <u>\$ 19,853</u> |
| Impairments: | | | | | |
| Impairment of deferred costs and prepaid royalties | 19,666 | 19,666 | - | - | - |
| Restructuring and other charges | 6,833 | 6,147 | - | - | 686 |
| Adjusted EBITDA excluding impairments | <u>\$ 60,658</u> | <u>\$ 11,280</u> | <u>\$ 11,425</u> | <u>\$ 17,414</u> | <u>\$ 20,539</u> |

| | Year Ended | Quarters Ended | | | |
|--|----------------------|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2007 | December 31, 2007 | September 30, 2007 | June 30, 2007 | March 31, 2007 |
| | (in thousands) | | | | |
| Net income (loss) in accordance with GAAP | \$ 48,315 | \$ 2,685 | \$ 4,342 | \$ 1,327 | \$ 39,961 |
| Interest income, net | (30,874) | (6,417) | (7,290) | (8,065) | (9,102) |
| Stock-based compensation | 23,918 | 6,627 | 5,984 | 5,622 | 5,685 |
| Loss (gain) on equity investments, net | (98) | 34 | - | (132) | - |
| Conversion of WiderThan stock options to a cash equivalent | 2,062 | 190 | 413 | 614 | 845 |
| Depreciation and amortization (net of minority interest effect) | 22,195 | 5,703 | 6,210 | 5,661 | 4,621 |
| Acquisitions related intangible asset amortization (net of minority interest effect) | 22,845 | 6,639 | 5,583 | 5,311 | 5,312 |
| Impairment of long-lived assets (net of minority interest effect) | - | - | - | - | - |
| Gain on initial formation of Rhapsody America | (3,866) | - | (3,866) | - | - |
| Pro forma gain on sale of interest in Rhapsody America | - | - | - | - | - |
| Expenses (benefit) related to antitrust litigation: | | | | | |
| Income | (61,000) | - | - | - | (61,000) |
| Expenses | 1,053 | 179 | 201 | 202 | 471 |
| Charitable contributions | 1,921 | - | - | - | 1,921 |
| Income taxes | 27,456 | 47 | 2,012 | 2,178 | 23,219 |
| Adjusted EBITDA | <u>\$ 53,927</u> | <u>\$ 15,687</u> | <u>\$ 13,589</u> | <u>\$ 12,718</u> | <u>\$ 11,933</u> |
| Impairments: | | | | | |
| Impairment of deferred costs and prepaid royalties | - | - | - | - | - |
| Restructuring and other charges | 3,748 | 3,748 | - | - | - |
| Adjusted EBITDA excluding impairments | <u>\$ 57,675</u> | <u>\$ 19,435</u> | <u>\$ 13,589</u> | <u>\$ 12,718</u> | <u>\$ 11,933</u> |

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

| | Quarter Ended December 31, 2008 | | | | |
|---|---------------------------------|-------------------------|---------------------|-------------------|---------------------|
| | Music ^(A) | Consumer ^(B) | TPS ^(C) | Other | Grand Total |
| | (in thousands) | | | | |
| Net revenue | \$ 43,882 | \$ 56,400 | \$ 52,362 | \$ - | \$ 152,644 |
| Cost of revenue | 25,068 | 14,586 | 20,388 | - | 60,042 |
| Impairment of deferred costs and prepaid royalties | 1,000 | 7,829 | 10,837 | - | 19,666 |
| Gross profit | 17,814 | 33,985 | 21,137 | - | 72,936 |
| Gross margin | 41% | 60% | 40% | - | 48% |
| Operating expenses: | | | | | |
| Advertising with related party | 12,480 | - | - | - | 12,480 |
| Impairment of long-lived assets | 4,753 | 46,056 | 141,867 | - | 192,676 |
| Restructuring and other charges | - | - | - | 6,147 | 6,147 |
| Other operating expenses | 24,777 | 44,014 | 28,823 | 218 | 97,832 |
| Total operating expenses | 42,010 | 90,070 | 170,690 | 6,365 | 309,135 |
| Income (loss) from operations | (24,196) | (56,085) | (149,553) | (6,365) | (236,199) |
| Other income (expenses): | | | | | |
| Interest income, net | - | - | - | 2,255 | 2,255 |
| Minority interest | 12,426 | - | - | - | 12,426 |
| Equity in net loss of investments | - | - | - | (271) | (271) |
| Gain on sale of equity investments, net | - | - | - | (12) | (12) |
| Gain on sale of interest in Rhapsody America ^(D) | - | - | - | - | - |
| Other income (expenses), net | - | - | - | (1,306) | (1,306) |
| Total other income (expenses), net | 12,426 | - | - | 666 | 13,092 |
| Income (loss) before income taxes | <u>\$ (11,770)</u> | <u>\$ (56,085)</u> | <u>\$ (149,553)</u> | <u>\$ (5,699)</u> | <u>\$ (223,107)</u> |

Reconciliation of segment GAAP income (loss) before taxes to segment adjusted EBITDA excluding impairments is as follows:

| | | | | | |
|---|---------------|-----------------|-----------------|-------------------|------------------|
| Income (loss) before income taxes | \$ (11,770) | \$ (56,085) | \$ (149,553) | \$ (5,699) | \$ (223,107) |
| Interest income, net | - | - | - | (2,255) | (2,255) |
| Stock-based compensation | 1,058 | 2,397 | 2,601 | - | 6,056 |
| Conversion of WiderThan stock options to a cash equivalent | - | - | 11 | - | 11 |
| Acquisitions related intangible asset amortization ^(E) | 278 | 273 | 1,321 | - | 1,872 |
| Impairment of long-lived assets ^(E) | 2,424 | 46,056 | 141,867 | - | 190,347 |
| Impairment of deferred costs and prepaid royalties | 1,000 | 7,829 | 10,837 | - | 19,666 |
| Restructuring and other charges | - | - | - | 6,147 | 6,147 |
| Pro forma gain on sale of interest in Rhapsody America | 6,568 | - | - | - | 6,568 |
| Gain on initial formation of Rhapsody America | - | - | - | - | - |
| Gain on sale of equity investments, net | - | - | - | 12 | 12 |
| Depreciation and amortization ^(E) | 1,127 | 1,761 | 2,896 | - | 5,784 |
| Expenses (benefit) related to antitrust litigation: | | | | | |
| Income | - | - | - | - | - |
| Expenses | - | - | - | 179 | 179 |
| Charitable contributions | - | - | - | - | - |
| Adjusted EBITDA excluding impairments | <u>\$ 685</u> | <u>\$ 2,231</u> | <u>\$ 9,980</u> | <u>\$ (1,616)</u> | <u>\$ 11,280</u> |

Quarter Ended December 31, 2007

| | Music ^(A) | Consumer ^(B) | TPS ^(C) | Other | Grand Total |
|---|-----------------------------|--------------------------------|---------------------------|-----------------|--------------------|
| | (in thousands) | | | | |
| Net revenue | \$ 40,540 | \$ 56,458 | \$ 59,884 | \$ - | \$ 156,882 |
| Cost of revenue | 21,892 | 10,950 | 28,863 | - | 61,705 |
| Gross profit | 18,648 | 45,508 | 31,021 | - | 95,177 |
| Gross margin | 46% | 81% | 52% | - | 61% |
| Operating expenses: | | | | | |
| Advertising with related party | 16,613 | - | - | - | 16,613 |
| Restructuring charge | - | - | - | 3,748 | 3,748 |
| Other operating expenses | 28,817 | 38,246 | 33,489 | 145 | 100,697 |
| Total operating expenses | 45,430 | 38,246 | 33,489 | 3,893 | 121,058 |
| Income (loss) from operations | (26,782) | 7,262 | (2,468) | (3,893) | (25,881) |
| Other income (expenses): | | | | | |
| Interest income, net | - | - | - | 6,417 | 6,417 |
| Minority interest | 13,318 | - | - | - | 13,318 |
| Equity in net loss of investments | - | - | - | (308) | (308) |
| Gain on sale of equity investments, net | - | - | - | (34) | (34) |
| Gain on sale of interest in Rhapsody America ^(D) | 8,464 | - | - | - | 8,464 |
| Other income (expenses), net | - | - | - | 756 | 756 |
| Total other income (expenses), net | 21,782 | - | - | 6,831 | 28,613 |
| Income (loss) before income taxes | <u>\$ (5,000)</u> | <u>\$ 7,262</u> | <u>\$ (2,468)</u> | <u>\$ 2,938</u> | <u>\$ 2,732</u> |

Reconciliation of segment GAAP income (loss) before taxes to segment adjusted EBITDA excluding impairments is as follows:

| | | | | | |
|---|-------------------|------------------|-----------------|---------------|------------------|
| Income (loss) before income taxes | \$ (5,000) | \$ 7,262 | \$ (2,468) | \$ 2,938 | \$ 2,732 |
| Interest income, net | - | - | - | (6,417) | (6,417) |
| Stock-based compensation | 1,296 | 2,283 | 3,048 | - | 6,627 |
| Conversion of WiderThan stock options to a cash equivalent | - | - | 190 | - | 190 |
| Acquisitions related intangible asset amortization ^(E) | 384 | 911 | 5,344 | - | 6,639 |
| Restructuring and other charges | - | - | - | 3,748 | 3,748 |
| Gain on initial formation of Rhapsody America | - | - | - | - | - |
| Gain on sale of equity investments, net | - | - | - | 34 | 34 |
| Depreciation and amortization ^(E) | 1,187 | 1,928 | 2,588 | - | 5,703 |
| Expenses (benefit) related to antitrust litigation: | | | | | |
| Income | - | - | - | - | - |
| Expenses | - | - | - | 179 | 179 |
| Charitable contributions | - | - | - | - | - |
| Adjusted EBITDA excluding impairments | <u>\$ (2,133)</u> | <u>\$ 12,384</u> | <u>\$ 8,702</u> | <u>\$ 482</u> | <u>\$ 19,435</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; 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) Comprises gains realized from MTVN's note payments to Rhapsody America. In accordance with SAB 51, beginning in Q4 2008, this gain was recognized as a component of Shareholders' equity.

(E) Net of minority interest effect within our Music segment.

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

Quarter Ended December 31, 2008

| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | Adjusted |
|---|--------------------|---------------------------------|--|--|-------------------------------------|------------------|
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 60,042 | \$ (607) | \$ (596) | \$ (2) | \$ - | \$ 58,837 |
| Operating expenses: | | | | | | |
| Research and development | \$ 28,533 | \$ (2,103) | \$ - | \$ - | \$ - | \$ 26,430 |
| Sales and marketing | 50,192 | (1,433) | (1,276) | (5) | - | 47,478 |
| General and administrative | 19,107 | (1,913) | - | (4) | (179) | 17,011 |
| Total adjusted operating expenses, net | <u>\$ 97,832</u> | <u>\$ (5,449)</u> | <u>\$ (1,276)</u> | <u>\$ (9)</u> | <u>\$ (179)</u> | <u>\$ 90,919</u> |

Quarter Ended December 31, 2007

| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | Adjusted |
|---|--------------------|---------------------------------|--|--|-------------------------------------|------------------|
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 61,705 | \$ (249) | \$ (2,479) | \$ (15) | \$ - | \$ 58,962 |
| Operating expenses: | | | | | | |
| Research and development | \$ 27,719 | \$ (2,161) | \$ - | \$ (40) | \$ - | \$ 25,518 |
| Sales and marketing | 56,819 | (2,388) | (4,160) | (135) | - | 50,136 |
| General and administrative | 16,159 | (1,829) | - | - | (179) | 14,151 |
| Total adjusted operating expenses, net | <u>\$ 100,697</u> | <u>\$ (6,378)</u> | <u>\$ (4,160)</u> | <u>\$ (175)</u> | <u>\$ (179)</u> | <u>\$ 89,805</u> |

Year Ended December 31, 2008

| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | Adjusted |
|---|--------------------|---------------------------------|--|--|-------------------------------------|-------------------|
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 233,244 | \$ (2,570) | \$ (7,188) | \$ (26) | \$ - | \$ 223,460 |
| Operating expenses: | | | | | | |
| Research and development | \$ 113,680 | \$ (8,410) | \$ - | \$ (9) | \$ - | \$ 105,261 |
| Sales and marketing | 211,922 | (5,860) | (12,922) | (36) | - | 193,104 |
| General and administrative | 69,981 | (6,691) | - | (71) | (757) | 62,462 |
| Total adjusted operating expenses, net | <u>\$ 395,583</u> | <u>\$ (20,961)</u> | <u>\$ (12,922)</u> | <u>\$ (116)</u> | <u>\$ (757)</u> | <u>\$ 360,827</u> |

Year Ended December 31, 2007

| | As Reported | Stock-Based Compensation | Acquisitions Related Intangible Asset Amortization ^(A) | Wider Than Options Converted to a Cash Equivalent | Antitrust Litigation Related | Adjusted |
|---|--------------------|---------------------------------|--|--|-------------------------------------|-------------------|
| | (in thousands) | | | | | |
| Expenses in accordance with GAAP | | | | | | |
| Cost of revenue | \$ 213,491 | \$ (769) | \$ (8,572) | \$ (324) | \$ - | \$ 203,826 |
| Operating expenses: | | | | | | |
| Research and development | \$ 102,731 | \$ (7,314) | \$ - | \$ (398) | \$ - | \$ 95,019 |
| Sales and marketing | 209,412 | (9,373) | (14,273) | (973) | - | 184,793 |
| General and administrative | 67,326 | (6,462) | - | (368) | (2,542) | 57,954 |
| Total adjusted operating expenses, net | <u>\$ 379,469</u> | <u>\$ (23,149)</u> | <u>\$ (14,273)</u> | <u>\$ (1,739)</u> | <u>\$ (2,542)</u> | <u>\$ 337,766</u> |

(A) - Net of minority interest effect.