

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

(in thousands, except per share data)

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net revenue	\$ 60,390	\$ 65,473	\$ 68,310	\$ 72,546	\$ 76,572	\$ 82,686	\$ 82,233	\$ 83,568
Cost of revenue	21,761	21,735	24,786	23,925	24,737	24,841	24,695	23,976
Loss on content agreement	4,938	-	-	-	-	-	-	-
Gross profit	33,691	43,738	43,524	48,621	51,835	57,845	57,538	59,592
Operating expenses:								
Research and development	12,251	13,219	13,046	13,091	13,670	15,292	16,334	25,335
Sales and marketing	22,203	23,247	24,721	26,608	28,020	35,044	30,745	36,706
General and administrative	6,821	8,599	7,968	7,914	6,166	7,898	7,032	29,573
Loss on excess office facilities (A)	-	-	866	-	-	-	-	-
Stock-based compensation	266	213	145	71	36	48	25	19
Subtotal operating expenses	41,541	45,278	46,746	47,684	47,892	58,282	54,136	91,633
Antitrust litigation expenses (benefit) (B)	2,321	2,756	2,974	2,997	3,744	4,650	3,531	(434,425)
Total operating expenses (benefit)	43,862	48,034	49,720	50,681	51,636	62,932	57,667	(342,792)
Operating income (loss)	(10,171)	(4,296)	(6,196)	(2,060)	199	(5,087)	(129)	402,384
Other income (expense), net:								
Interest income, net	860	800	1,190	1,602	2,016	2,579	2,904	7,012
Equity in net loss of MusicNet	(1,115)	(1,019)	(1,262)	(955)	(1,066)	(2)	-	-
Impairment of equity investments (C)	-	-	(450)	-	-	-	-	(266)
Gain on sale of equity investments	-	-	-	-	-	7,590	11,740	-
Other, net	90	10	(109)	606	(191)	(209)	124	(55)
Other income (expense), net	(165)	(209)	(631)	1,253	759	9,958	14,768	6,691
Income (loss) before income taxes	(10,336)	(4,505)	(6,827)	(807)	958	4,871	14,639	409,075
Income tax provision	(102)	(113)	(142)	(165)	(144)	(162)	(3,457)	(113,435)
Net income (loss)	\$ (10,438)	\$ (4,618)	\$ (6,969)	\$ (972)	\$ 814	\$ 4,709	\$ 11,182	\$ 295,640
Basic net income (loss) per share	\$ (0.06)	\$ (0.03)	\$ (0.04)	\$ (0.01)	\$ 0.00	\$ 0.03	\$ 0.07	\$ 1.76
Diluted net income (loss) per share	\$ (0.06)	\$ (0.03)	\$ (0.04)	\$ (0.01)	\$ 0.00	\$ 0.03	\$ 0.06	\$ 1.61
Shares used to compute basic net income (loss) per share	166,961	168,846	169,588	170,039	170,947	171,393	170,797	167,573
Shares used to compute diluted net income (loss) per share	166,961	168,846	169,588	170,039	184,686	184,816	184,180	183,728

NOTES:

- (A) The loss on unoccupied excess office facilities represents the loss from rent payments over the remaining life of certain leased facilities and amounts related to the write-off of certain leasehold improvements.
- (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) 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.