

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------------------|----------------|---------------------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (in thousands, except per share data) | | | |
| Net revenue: | | | | |
| Software license fees | \$ 16,595 | 17,255 | \$ 32,867 | 41,609 |
| Service revenue | 31,515 | 24,917 | 60,759 | 46,264 |
| Advertising | 1,536 | 1,586 | 2,886 | 3,177 |
| Total net revenue | <u>49,646</u> | <u>43,758</u> | <u>96,512</u> | <u>91,050</u> |
| Cost of revenue: | | | | |
| Software license fees | 2,239 | 1,604 | 3,562 | 3,812 |
| Service revenue | 12,140 | 9,021 | 24,214 | 18,272 |
| Advertising | 541 | 390 | 928 | 1,143 |
| Total cost of revenue | <u>14,920</u> | <u>11,015</u> | <u>28,704</u> | <u>23,227</u> |
| Gross profit | <u>34,726</u> | <u>32,743</u> | <u>67,808</u> | <u>67,823</u> |
| Operating expenses: | | | | |
| Research and development | 12,275 | 12,750 | 23,712 | 24,594 |
| Sales and marketing | 18,847 | 19,025 | 36,620 | 36,683 |
| General and administrative | 5,864 | 5,542 | 11,361 | 9,996 |
| Loss on excess office facilities (A) | 7,098 | - | 7,098 | - |
| Stock-based compensation | 193 | 368 | 494 | 532 |
| Total operating expenses | <u>44,277</u> | <u>37,685</u> | <u>79,285</u> | <u>71,805</u> |
| Operating loss | (9,551) | (4,942) | (11,477) | (3,982) |
| Other income (expense): | | | | |
| Interest income | 1,186 | 1,807 | 2,451 | 4,424 |
| Equity in net loss of MusicNet | (1,394) | (1,342) | (3,125) | (3,523) |
| Impairment of equity investments (B) | - | (704) | (424) | (704) |
| Other, net | 209 | 2,548 | 265 | 3,276 |
| Other income (expense), net | <u>1</u> | <u>2,309</u> | <u>(833)</u> | <u>3,473</u> |
| Loss before income taxes | (9,550) | (2,633) | (12,310) | (509) |
| Income tax expense (benefit) | 82 | (1,078) | 160 | (2) |
| Net loss | <u>\$ (9,632)</u> | <u>(1,555)</u> | <u>\$ (12,470)</u> | <u>(507)</u> |
| Basic and diluted net loss per share | <u>\$ (0.06)</u> | <u>(0.01)</u> | <u>\$ (0.08)</u> | <u>(0.00)</u> |
| Shares used to compute basic and diluted net loss per share | 158,158 | 160,744 | 157,797 | 159,805 |

Net Revenue by Geography:

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---------------|------------------------|---------------|---------------------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (in thousands) | | | |
| North America | \$ 36,009 | 32,739 | \$ 69,778 | 64,262 |
| Europe | 7,990 | 5,370 | 14,904 | 14,235 |
| Rest of world | 5,647 | 5,649 | 11,830 | 12,553 |
| Total | <u>\$ 49,646</u> | <u>43,758</u> | <u>\$ 96,512</u> | <u>91,050</u> |

Net Cash Used in Operating Activities

| | | | | |
|--|------------|---------|------------|---------|
| | \$ (5,878) | (5,209) | \$ (7,437) | (3,014) |
|--|------------|---------|------------|---------|

(A) The 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 fair value.

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

| | June 30, 2003 | December 31, 2002 |
|--|-------------------|----------------------|
| (in thousands) | | |
| ASSETS | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 388,932 | \$ 309,071 |
| Trade accounts receivable, net of allowances for doubtful accounts and sales returns | 8,285 | 6,560 |
| Prepaid expenses and other current assets | 6,596 | 7,278 |
| Total current assets | 403,813 | 322,909 |
| Equipment and leasehold improvements, at cost: | | |
| Equipment and software | 32,317 | 27,536 |
| Leasehold improvements | 25,584 | 25,227 |
| Total equipment and leasehold improvements | 57,901 | 52,763 |
| Less accumulated depreciation and amortization | 28,011 | 22,718 |
| Net equipment and leasehold improvements | 29,890 | 30,045 |
| Restricted cash equivalents | 19,800 | 17,300 |
| Investments | 37,900 | 29,196 |
| Goodwill and other intangible assets, net | 60,767 | 60,925 |
| Other | 4,494 | 1,726 |
| Total assets | \$ 556,664 | \$ 462,101 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,138 | \$ 7,830 |
| Accrued and other liabilities | 31,805 | 31,083 |
| Deferred revenue, excluding non-current portion | 26,492 | 31,771 |
| Accrued loss on excess office facilities, excluding non-current portion | 4,983 | 3,825 |
| Total current liabilities | 72,418 | 74,509 |
| Deferred revenue, excluding current portion | 7,875 | 12,446 |
| Notes payable | 100,000 | - |
| Accrued loss on excess office facilities, excluding current portion | 26,154 | 22,110 |
| Deferred rent | 3,359 | 3,271 |
| Total shareholders' equity | 346,858 | 349,765 |
| Total liabilities and shareholders' equity | \$ 556,664 | \$ 462,101 |