

Safe Harbor

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As a reminder, during the course of today's presentation and I may make projections and forward-looking statements regarding future events and the future financial performance of the company, including: future use of IP for delivery of digital media and the growth of broadband; our future leadership in subscription services and downloadable games and content; the future growth in online content markets; the role of media players and multiple music offerings in the success of music services; the future universal support for non-PC devices; the growth of digital media for mobile and home devices and our leadership in that arena; the role of personal computers in home networks; and the effect of new consumer devices on the content subscription markets. I also may refer to RealNetworks in hypothetical examples, which may not be accurate descriptions of actual past or anticipated events.

Actual results may differ materially from any projections and forward-looking statements given by management. This presentation should not be relied on for the purposes of investment decisions. Our Form 10-K the most recent year available and other forms on file with the SEC, identify important risk factors that should be considered when making an investment decision regarding RealNetworks, Inc and that may affect whether our forward-looking statements prove to be correct.

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HEADLINE NEWS:

- **THE DEATH OF TELEVISION** -WILL THE INTERNET REPLACE THE BOOB TUBE?
- **SUBSCRIPTION VIDEO SERVICES OFFERED VIA INTERNET \$2.6B IN 2009!**
- **WINDOWS XP MEDIA CENTER TO STREAM MTV'S OVERDRIVE... USING AN XBOX 360. MARCH MADNESS SCORES 1M SIMULTANEOUS USERS.**
- **WORLDWIDE REVENUE FOR VIDEO ON HANDSETS WILL BE \$5B IN 2008**

Sources: 1. Slate 22Oct05 2. Instat quoted in Seattle Times 24Oct05. 3 CableFax Daily 17Oct05 4 Seattle Times 10Oct05 5, 6 WSJ 25 Oct 05, 7. ARC Group Mobile Video report

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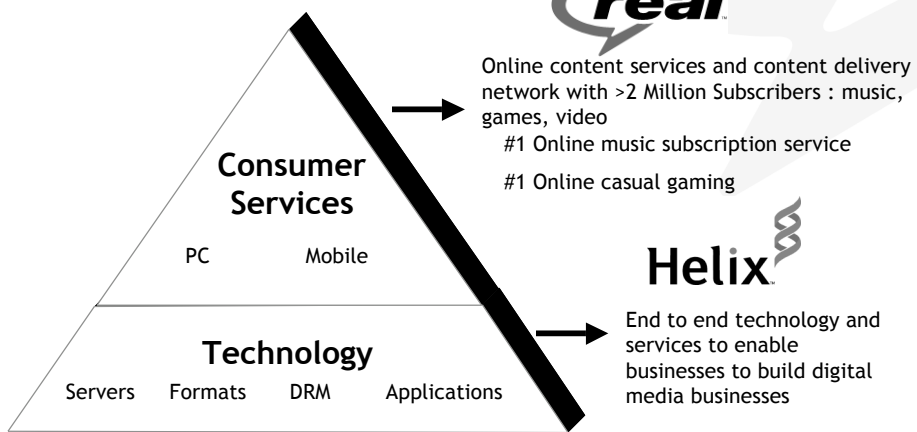
Presentation outline

- Introduction
- Snapshot of 3 interdependent factors:
 - Communications networks, Business environments, Consumer behaviors
- Real's vision of the future
- 6 Challenges, gaps and solutions
- Capturing the opportunities

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About Real



10+ years of expertise in digital media technology, products and services

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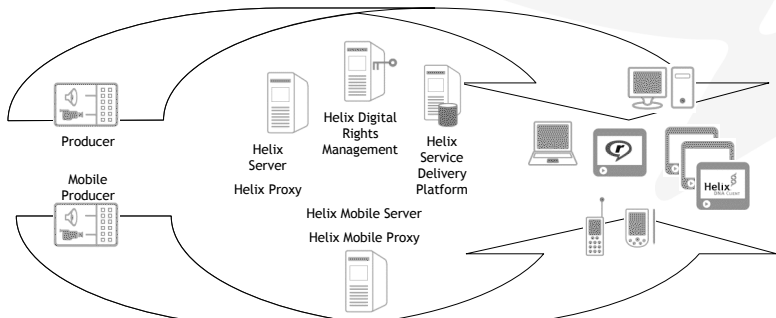
Real Consumer Businesses

	Broadband PC	Mobile Handset
Music	<ul style="list-style-type: none"> ✓ Rhapsody ✓ RadioPass 	<ul style="list-style-type: none"> ✓ Rhapsody Radio (with Sprint)
Casual Games	<ul style="list-style-type: none"> ✓ RealArcade 	<ul style="list-style-type: none"> ✓ RealArcade (with Cingular)
Video	<ul style="list-style-type: none"> ✓ SuperPass ✓ RealGuide ✓ Starz Ticket on Real (with Starz) ✓ RealPlayer 	<ul style="list-style-type: none"> ✓ rTV with Sprint and Cingular (Blue)

- #1 music subscription business on PC
- Leading in PC casual games
- Direct to consumer and distribution partnerships
- >2M paid subscribers

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Helix™ Technology Business

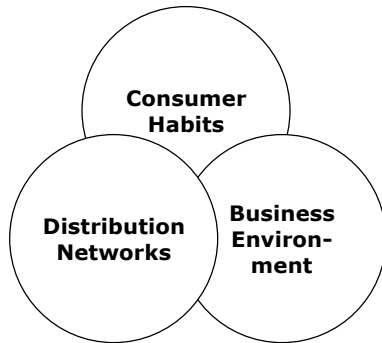


The diagram illustrates the Helix technology business flow. It shows a central cloud containing several components: Helix Server, Helix Proxy, Helix Digital Rights Management, Helix Service Delivery Platform, Helix Mobile Server, and Helix Mobile Proxy. On the left, a 'Producer' and a 'Mobile Producer' are connected to the cloud. On the right, various devices including a desktop PC, a laptop, a tablet, and a mobile phone are connected to the cloud, representing the delivery of content to end-users.

- Helix: 11th generation of digital media software, services and solutions
 - Universal - all leading internet and standards based media formats
 - Standards - work with existing standards where they exist, work with the industry to create those that don't
 - Open - portions of source code available for RAND commercial and open source license

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3 Interlocked Factors

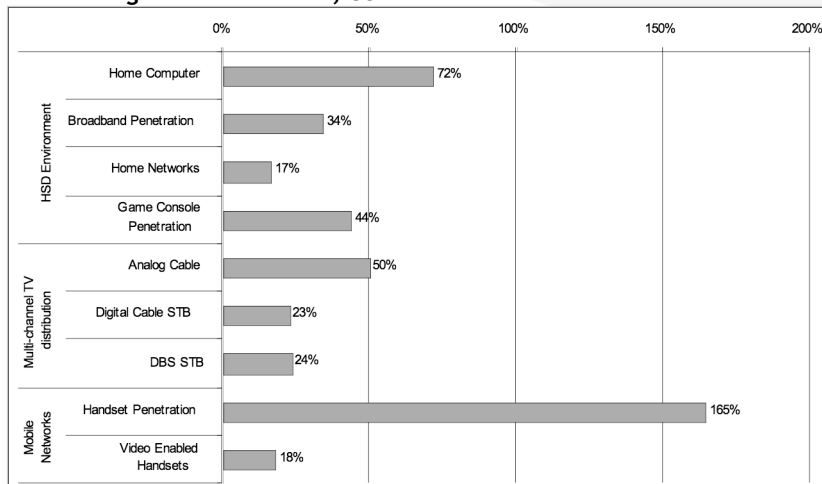
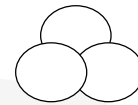


- What distribution networks should we monitoring?
- What's happening in adjacent businesses?
- What are consumers doing?

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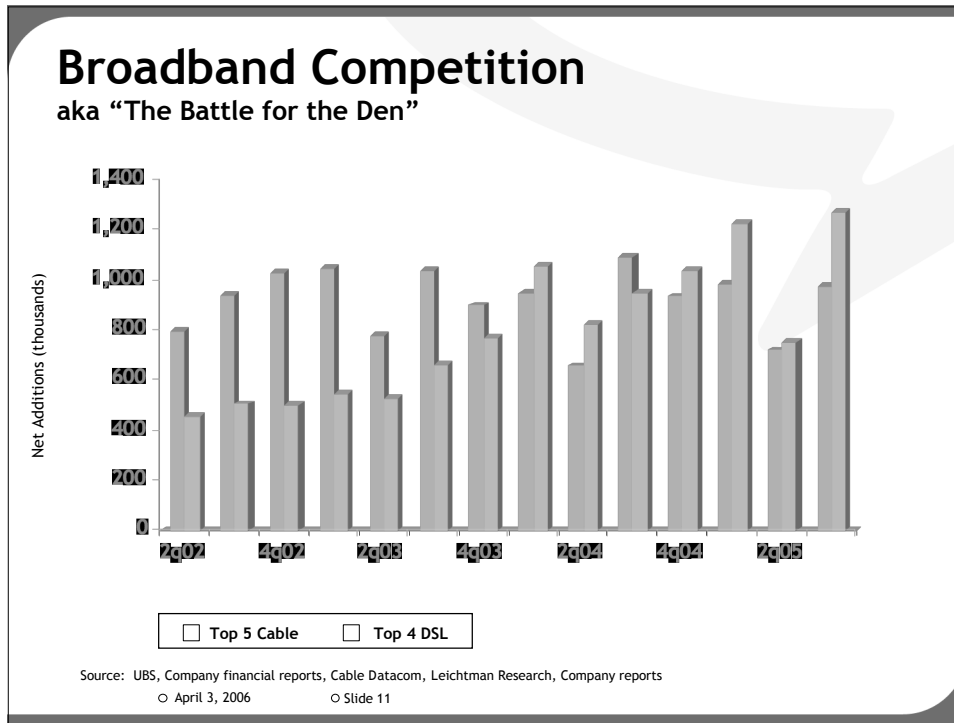
Distribution Networks

% Average HH Penetration, US



Sources: Parks and Associates (YE04), Leichtman Research 2Q05, Parks and Associates (YE04), NPD Group in press, Broadband Daily 2q05, m:metrics September 05

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Business Environment


	Today	Horizon
HSD Providers	Aggressive competition for HSD Still rapid growth Not clear where market saturation point lies	Concern about WiMax and other wireless broadband offers.
MCTV Providers	Historically aggressive competition w/ DBS Intense battle to 'win' living room real estate	Getting more intense as LECs enter market
Mobile Providers	Still growing # subs, starting to see more share shifting. Pursuit of non voice revenue and service differentiation MVNOs being launched around content brands for specific demo's.	4 th G networks and handsets. Converged network devices.

Sources: Trade Publications, Company Filings and Analyst Reports
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Battle for the portable video device

Origins


HSD




MS Portable Media Centers



Sony PSP




Video iPod




xBox360
(ok-only somewhat portable)

MCTV




PocketDish

Mobile




Nokia 9210



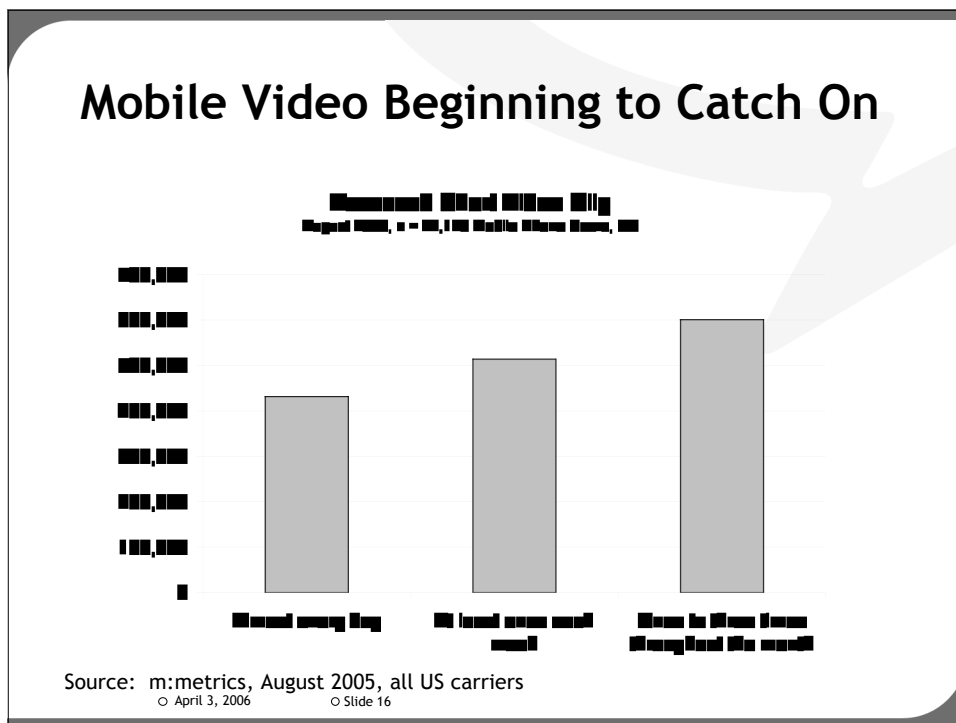
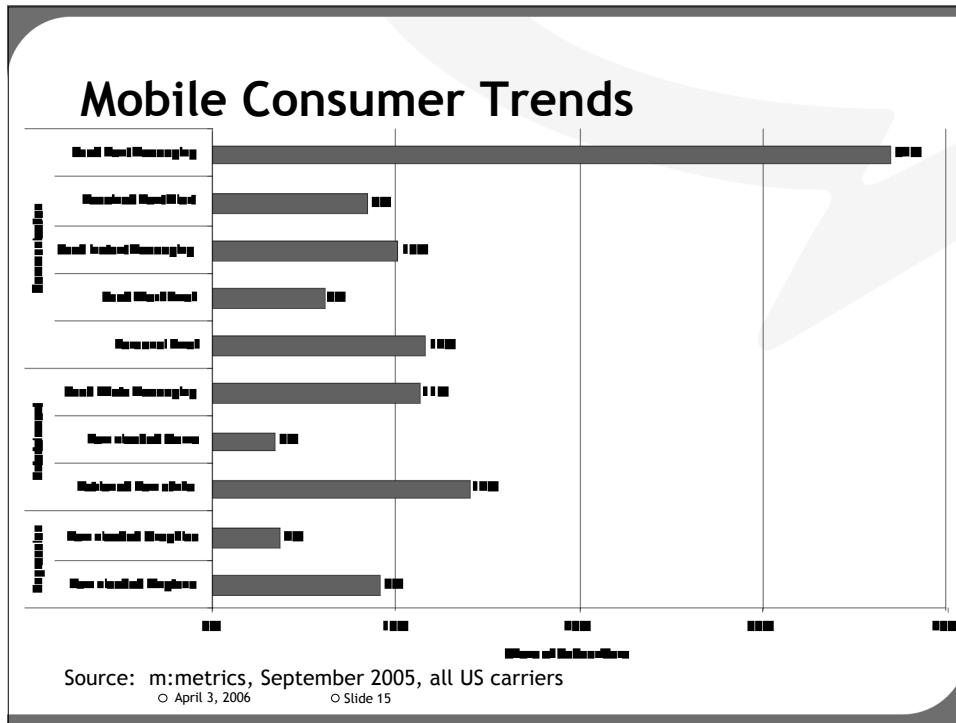
Sources: www.microsoft.com, www.pocketdish.com, company websites
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Consumer trends

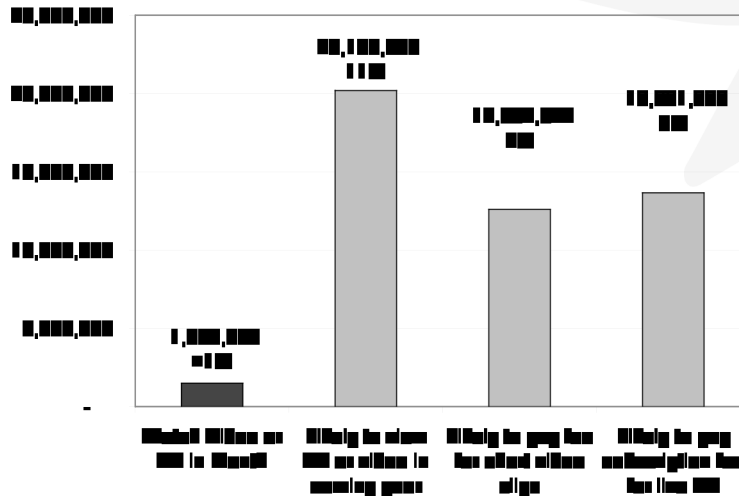


- Media Consumption Growing
 - 10 hours per person per day and growing
 - Annual average consumer spend f'cst to exceed \$1000 in 2008
 - Interactive media growing fastest
 - Age matters!
- HSD Environment
 - Take it with you
 - ~30M iPods shipped WW
 - ~10M PSP2 shipped WW
 - Always on and connected
- MCTV Environment
 - Time shifting - ~10M DVRs shipped in US, OnDemand successes
 - Quality of video and audio experience (HD, digital)

Source: Veronis Suhler Communications Industry Forecast, company financial reports, press clippings.
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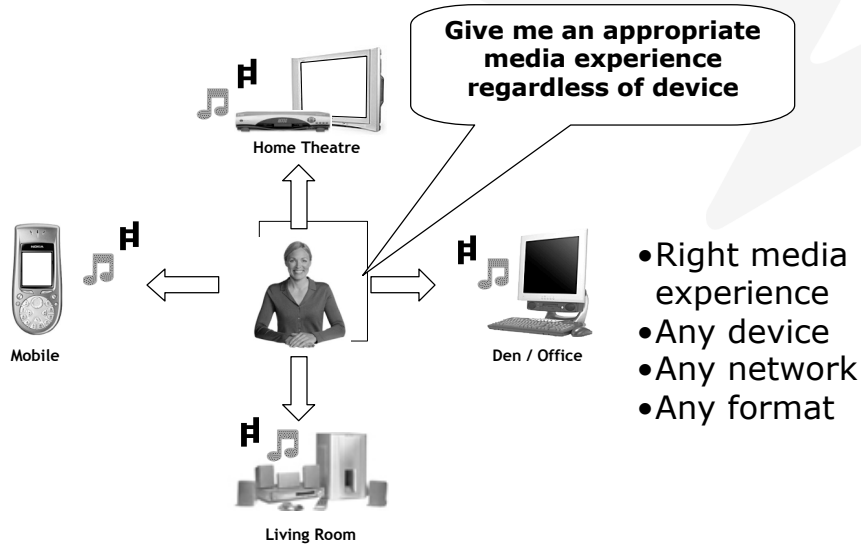


Clear Demand—and willingness to pay—for Mobile Video



Source: m:metrics, September 2005, all US carriers
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Our vision



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Illustration - Connected Services



- Consumers want portable applications but with appropriate tailoring to device and environment

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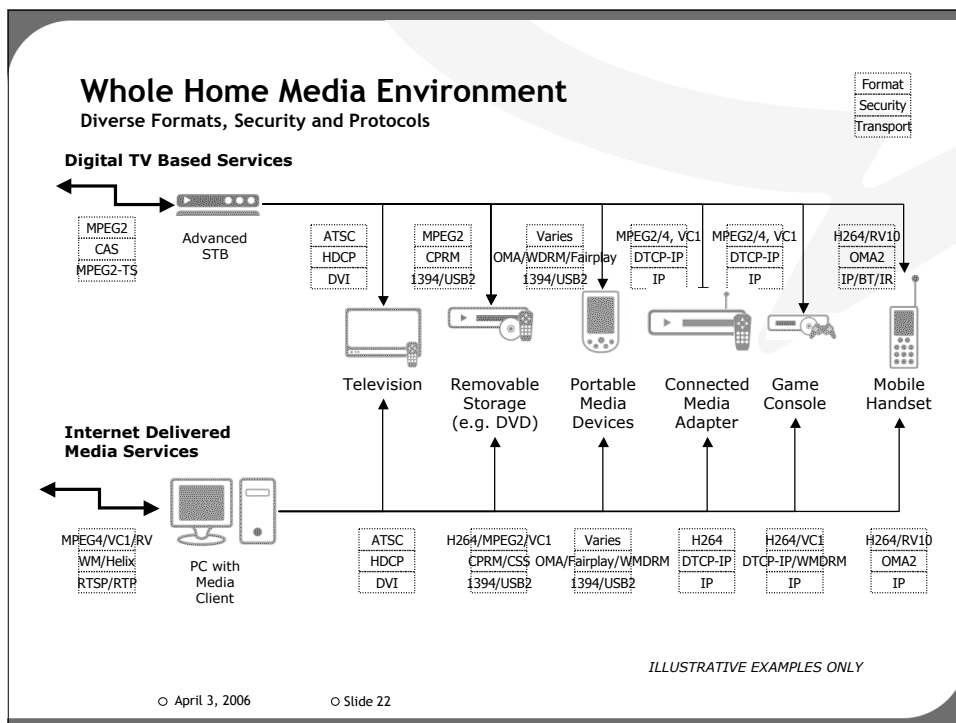
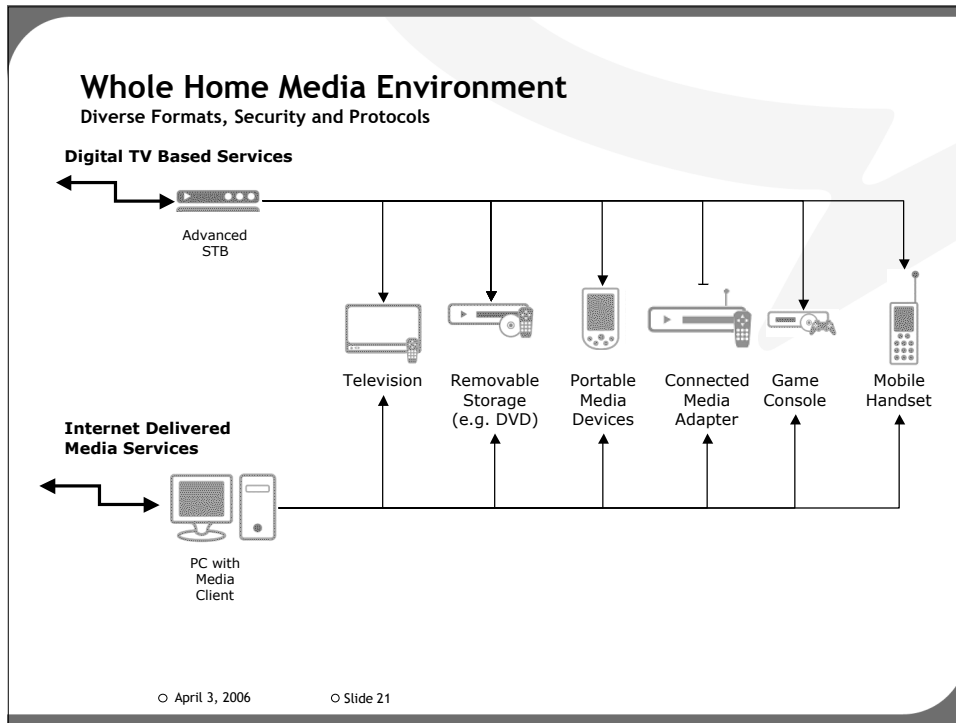
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6 Challenges

- Technical Challenges
 1. Format and device level interoperability
 2. Digital rights management islands
 3. Back-office complexity
- Business Challenges
 1. Simple (for consumer) media services
 2. Rights that match consumer 'wants'
 3. Effective customer acquisition

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Whole Home Media Environment

Approaches to Challenges

1. Format and device level interoperability



Launched Helix Community in 2002

- RealPlayer shipping on >50 handsets, 18 chipsets, 12 operating systems
- Community support for H264, RV/RA, AAC, H263....

Use standards in our products when they exist - uPNP, RTSP,

2. Digital rights management islands

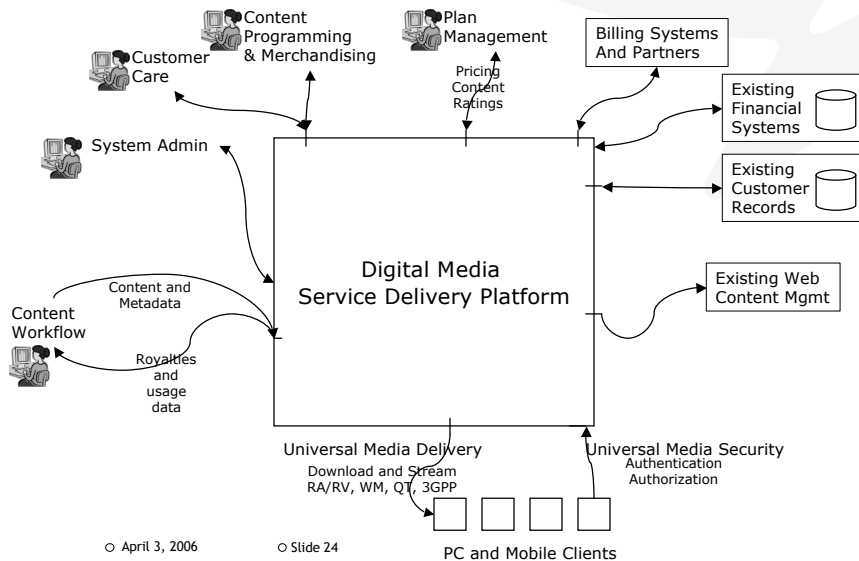


Harmony Technology bridges Helix DRM as well as Fairplay and Windows Media DRM

Source: https://helixcommunity.org/realcodecs/Real_Codec_Table, <https://porting.helixcommunity.org/>
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3. Back Office Complexity

Media Service Delivery Platform



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Keeping it Simple

Business Challenge #1

- Develop digital services that consumers already can relate to through “off line” metaphors
 - Brand: MobiTV, RealArcade, Rhapsody Radio
 - Service offer: “Rental” “purchase” “subscription”
- Have a crisp value proposition
 - “Celestial Jukebox”
 - “Pick a show, play it whenever”
- Have a clean, easy to use product.
 - More habituation, positive word of mouth
 - Lower customer support costs

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Digital Rights Management (vs Enforcement)

Business Challenge #2

- See Challenge #1 - Keep it simple
- Ask not what the DRM technology can offer to you but...
...What the consumer is going to understand (and want to pay for).
- Manage the tension between protecting existing revenue streams while
 - Providing a fair value to the consumer
 - Creating new revenue streams
- Focus on the future and then figure out how to deal with the back catalogs

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Effective Customer Acquisition

Business Challenge #3

- Use the usual online tools - keywords, banners, email.... - to find online users online
- Programmers - use on-air assets to cross promote to HSD or mobile offerings
 - Extend brand franchise
 - Extend programming options
- Partner with folks who have a different level of relationship with the consumer
 - Mobile carriers, HSD Providers, Other media
- Give visitors a great taste of the offer - a free trial, a 14 day offer or some other low friction way to become a user.
- Mix up your digital merchandising - you can re-organize the store relatively quickly - do that and see how sales change.

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Enable New Markets with Source Code

- Commercial Source and Open Source
- Mobile
 - Driven by increase from handset partners needing mature universal media engine for tailored environment
 - Real engineers not on critical path
 - No cost commercial R&D license
 - Real codecs freely available for porting and optimizing
- Open Source
 - Allow developers to “Scratch their own itch”
 - eg 64 bit, HPUX, Solaris
 - Halo effect on embedded Linux
- Innovation without Chaos

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IPR

- Real is the inventor of 'essential' technology for streaming media applications
- 40+ Patents in Audio and Video Streaming, including:
 - Click-to-Stream - Fundamental Patent in Streaming
When an end-user selects a digital media asset to be played, transmitted over an IP network to be received by an end user's playback device (PC, Mobile phone or other device)
 - MPEG
 - H.264
 - MPEG-4
- Real makes its inventions, including 'essential' patents, broadly available via products, services, and developer libraries

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Real's Patent & IPR Strategy

- Real has provided its patents as part of our licensed products:
 - Commercial Products: Helix Universal Server, Helix OnLine TV, Helix DRM, etc
 - Tens of thousands of licensees
 - Open Source Community: Helix DRM
 - License Terms established by Real
 - >100 licensees - e.g. Nokia, Motorola
 - >60 Million licensed devices, growing > 100% y/y
 - All development returned back to the Community
- Historically, our focus has been to encourage licensing simply by making our products compelling

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Thank you!

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