

## Bartlit Beck Files Antitrust Suit Against Microsoft for Real Networks

December 2003

Seattle

RealNetworks®, Inc. (NASDAQ: RNWK), announced today it has sued the Microsoft Corporation for violations of federal and state antitrust laws. The complaint was filed in federal court in San Jose, California and alleges that Microsoft has illegally used its monopoly power to restrict competition, limit consumer choice and attempt to monopolize the growing field of digital media.

The complaint alleges that Microsoft has pursued a broad course of predatory conduct over a period of years by abusing its monopoly power, resulting in substantial lost revenue and business for RealNetworks.

For example, the complaint alleges that Microsoft has used its monopoly power to restrict how PC makers install competing media players while forcing every Windows user to take Microsoft's media player, whether they want it or not.

"While we much prefer competing in the market - as we are doing and have done for 9 years -- our Board has made a carefully considered business decision to take this action to end Microsoft's illegal conduct and recover substantial damages on behalf of our shareholders," said Rob Glaser, Chairman and CEO.

Glaser added, "Despite Microsoft's tactics, RealNetworks has continued to innovate and diversify, and we will continue to do so. Over the last five quarters, we've successfully grown our business as a whole by introducing exciting new products and services, and we're on track for our sixth straight quarter of revenue growth. However, we believe our business would be substantially larger today if Microsoft were playing by the rules."

As of the end of the third quarter, RealNetworks had more than 1.15 million subscribers to its paid content services, including more than 250,000 in the digital music category led by the award-winning Rhapsody Internet jukebox service. RealNetworks' subscriber counts have continued to grow robustly in the fourth quarter - indeed, RealNetworks is projecting that by the end of this year it will have over 1.3 million paying subscribers to its premium digital media subscription services, including a 40% jump during the quarter for its premium digital music services to over 350,000 subscribers. Moreover, RealNetworks is bringing digital media services to consumers' mobile devices around the world via partnerships with the leading mobile phone operators, handset device makers, chipset manufacturers and content creation companies.

"We believe Microsoft's conduct is illegal, and that conduct has prevented us from competing solely on the merits of our products," said Bob Kimball, RealNetworks' Vice President and General Counsel. Mr. Kimball continued, "Our case is based on many of the same types of Microsoft conduct that U.S. courts have already declared to be illegal - such as failure to disclose interface information and imposing restrictions on PC makers -

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as well as a broad course of additional predatory conduct. RealNetworks is seeking substantial damages that could well exceed a billion dollars, in addition to injunctive relief to prevent future illegal conduct by Microsoft."

RealNetworks expects the cost of the litigation for 2004 to be approximately \$12 million, in addition to approximately \$1.5 million relating to the litigation this quarter. Typically, litigation of this type takes about three years through trial. Despite the added legal expenses for the fourth quarter of 2003, RealNetworks expects to meet the guidance provided in its October 28 earnings release based in large part on the continued growth of its premium subscription services.

Excluding the Microsoft litigation costs, RealNetworks expects a net loss per share for the fourth quarter to be in the range of (\$0.02) to (\$0.03) on revenue between \$52 and \$56 million. Including the Microsoft litigation expenses for the fourth quarter, RealNetworks expects the GAAP net loss per share for the fourth quarter to be in the range of (\$0.03) to (\$0.04). RealNetworks expects to provide quarterly disclosure of the cost of this litigation.

RealNetworks has retained the law firms of Bartlit Beck Herman Palenchar & Scott LLP, the Summit Law Group, and McManis Faulkner & Morgan to represent it in this lawsuit. RealNetworks' law firms have years of experience in complex antitrust and technology cases. Bartlit Beck is a firm of trial lawyers known for its successful trial work on behalf of a broad range of Fortune 500 companies in complex antitrust and technology cases. Similarly, the Summit Law Group represented Caldera in its successful antitrust case against Microsoft.

RealNetworks' lawsuit is complementary to the European Commission's antitrust investigation of Microsoft and RealNetworks will continue to cooperate and support the European Commission's efforts.

**For More Information:**

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**About RealNetworks, Inc.**

RealNetworks, Inc. is the leading creator of digital media services and software. Consumers use RealNetworks' RealOne Player and the content subscription services it offers to play free and premium digital content. Broadcasters, network operators, media companies and enterprises use RealNetworks' products and services to create and deliver digital media to PCs, mobile phones and consumer electronics devices. Consumers can access and experience audio/video programming and download RealNetworks' consumer software at <http://www.real.com>. RealNetworks' systems and corporate information is located at <http://www.realnworks.com>.

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