Real offers 49-cent music downloads
But move to battle Apple's iTunes to lead to wider 3Q loss than first forecast.
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NEW YORK (Reuters) - RealNetworks Inc. halved prices for songs downloaded
from its online music store Tuesday to win customers for new technology that has
rankled rival Apple Computer Inc.

The company also said it would launch its biggest ad campaign for digital music, with
print, radio and online spots centered on the idea of "Freedom of Choice."

But those programs will come with increased costs, and the Seattle-based company
warned its third-quarter loss could be 1 cent per share wider than previously expected.
The company did not break out the likely costs of the campaign.

The temporary discount, making songs 49 cents and most albums $4.99, came at the
same time as the full public launch of the newest version of the company's RealPlayer
jukebox software.

The software uses technology called Harmony to make songs purchased from Real's
music store playable on Apple's iPod music players. That eliminates an advantage Apple's
iTunes Music Store has over Real's rival.

In late July, Real announced a limited test version of Harmony, which translates digital rights management software used with songs sold
by Real to make them compatible with the iPod's standard.

But the move raised questions as to how Real had engineered its software without a
license for Apple's rights management technology.

In a statement issued in July, Apple said Real had "adopted the tactics and ethics of a
hacker" and said it was "investigating the (legal) implications." As yet, the iPod-maker
has not taken legal action against Real.

"As of today we are compatible with all of the iPods and all of the versions of the
firmware running on the iPods," Richard Wolpert, chief strategy officer for Real, told
Reuters.

Wolpert said the download discounts were "more of a get-it-while-it's-hot kind of sale."
Real's store, like most others, including Apple's, typically charges 99 cents for
downloads.

Apple leads all other digital music services by a wide margin, with more than 100 million
downloads sold to date.
Real said it now expects a third-quarter loss of 3 cents to 5 cents per share, or a loss of 1 cent to 3 cents per share excluding litigation costs.

In late July the company forecast a loss of 3 cents to 4 cents per share, or 1 cent to 2 cents excluding litigation costs, on revenue of $66 million to $68 million.

Analysts polled by Reuters Estimates had expected a loss of 2 cents per share on revenue of $67.6 million.