



RealNetworks Announces Fourth Quarter & 2006 Financial Results

Record Annual and Quarterly Revenue of \$395.3 million and \$125.6 million

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SEATTLE — February 14, 2007 — RealNetworks®, Inc. (Nasdaq: RNWK), the leading creator of digital media services and software, today announced results for the fourth quarter and fiscal year ended December 31, 2006.

Quarterly Highlights

Record revenue of \$125.6 million

Net income of \$39.3 million

Earnings per diluted share of \$0.22 and adjusted earnings per diluted share of \$0.05

Full Year Highlights

Record revenue of \$395.3 million

Net income of \$145.2 million

Earnings per diluted share of \$0.81 and adjusted earnings per diluted share of \$0.15

"2006 was a very successful year for RealNetworks," said Rob Glaser, Chairman and CEO of RealNetworks. "We are pleased to report another year of record revenue and strong profitability. In addition to the company's financial achievements, 2006 was a year of important strategic achievements for Real that set us up for our next phase of growth."

For the fourth quarter of 2006, revenue grew 50% to \$125.6 million compared to \$83.6 million for the fourth quarter of 2005. Fourth quarter 2006 revenue includes two months of revenue totaling \$26.7 million from the acquisition of WiderThan. For the fourth quarter of 2006, revenue in the Consumer Products and Services segment was as follows: Games revenue was \$23.9 million, a 52% increase over the fourth quarter of 2005; Music revenue was \$33.6 million, a 21% increase over the fourth quarter of 2005; and Media Software and Services revenue was \$30.5 million, a 2% increase over the fourth quarter of 2005. In the Technology Products and Solutions segment, revenue was \$37.6 million, a 270% increase over the fourth quarter of 2005, and includes \$26.7 million of revenue related to WiderThan. Foreign currency exchange rate fluctuations positively impacted 2006 fourth quarter revenue by approximately \$1.1 million compared to the fourth quarter of 2005.

Net income for the fourth quarter of 2006 was \$39.3 million or \$0.22 per diluted share, compared to \$295.6 million or \$1.61 per diluted share in the fourth quarter of 2005. Both periods' results include payments related to Real's antitrust settlement and commercial agreements with Microsoft. Further information regarding these payments can be found in Real's SEC filings. Adjusted net income, described below in Real's description of non-GAAP measures, was \$9.9 million or \$0.05 per diluted share for the fourth quarter of 2006, compared to a loss of (\$6.1) million or (\$0.04) per share in the fourth quarter of 2005. Adjusted EBITDA for the fourth quarter of 2006 was \$9.1 million compared to a loss of (\$6.2) million in the fourth quarter of 2005. A reconciliation of GAAP net income to adjusted net income and adjusted EBITDA is provided in the financial tables that accompany this release.

Gross margin was 66% in the fourth quarter of 2006 compared to 71% in the fourth quarter of 2005. Operating expenses for the fourth quarter of 2006 were \$31.1 million, compared to a benefit of \$342.8 million in the prior year's quarter. Fourth quarter 2006 and 2005 operating expenses include benefits related to payments under Real's settlement and commercial agreements with Microsoft. Adjusted operating expenses in the fourth quarter of 2006 were \$81.0 million compared to \$70.1 million in the fourth quarter of 2005. A reconciliation of GAAP operating expenses to adjusted operating expenses is provided in the financial tables that accompany this release. For the fourth quarter of 2006, Real's effective tax rate was approximately 33% which includes a \$2.7 million benefit as a result of changes in deferred tax asset valuation allowances.

Fourth Quarter Acquisition of WiderThan

On October 31, 2006, Real acquired substantially all of the capital stock of WiderThan Co., Ltd. (Nasdaq: WTHN) through a cash tender offer. As a result of the tender offer, WiderThan became a majority-owned subsidiary of Real, and the financial results of WiderThan are included in Real's consolidated financial statements subsequent to the acquisition date. Real

currently owns 99.7% of WiderThan shares, and to date has paid approximately \$337 million for its purchase of these shares.

Full Year 2006 Results

For the full year, revenue grew 22% to \$395.3 million from \$325.1 million in 2005. For the full year, revenue in the Consumer Products and Services segment was as follows: Games revenue was \$86.2 million, a 53% increase over 2005; Music revenue was \$123.0 million, a 21% increase over 2005; and Media Software & Services revenue was \$113.5 million, a decrease of 7% compared to 2005. In the Technology Products and Solutions segment, revenue was \$72.5 million, an increase of 61% over 2005. Foreign currency exchange rate fluctuations negatively impacted 2006 revenue by approximately \$0.7 million compared to 2005.

Net Income for 2006 was \$145.2 million or \$0.81 per diluted share compared to \$312.3 million or \$1.70 per diluted share in 2005. Net income for 2006 and 2005 include benefits related to the Microsoft settlement. Adjusted net income for 2006 was \$26.8 million or \$0.15 per diluted share compared to \$6.6 million or \$0.04 per diluted share in 2005. Adjusted EBITDA for 2006 was \$20.7 million compared to \$11.3 million for 2005.

Gross margin in 2006 was 69%, compared to 70% in the prior year. Operating expenses were \$80.6 million in 2006, compared to a benefit of \$170.6 million in 2005. Operating expenses in 2006 and 2005 were significantly impacted by the Microsoft settlement. For 2006, Real's effective tax rate was 36% which includes a \$2.7 million benefit as a result of changes in deferred tax asset valuation allowances.

As of December 31, 2006, Real had approximately \$679 million in unrestricted cash, cash equivalents and short-term investments, which includes the proceeds from \$100 million of convertible debt. Further, Real received approximately \$61 million in additional payments related to the Microsoft agreements during the first quarter of 2007.

Under Real's stock repurchase program, approximately 11.8 million shares were repurchased for \$98.9 million during 2006. As of December 31, 2006, approximately \$78.1 million remained available under the existing stock repurchase program.

As of December 31, 2006, Real had 1,594 full time employees.

Business Outlook

The following forward-looking statements reflect RealNetworks' expectations as of February 14, 2007. The Company currently does not intend to update these forward-looking statements until its next quarterly results announcement.

For the full year 2007, Real expects revenue in the range of \$540 million to \$560 million, which represents approximately 37% to 42% growth over 2006. As a result of purchase price adjustments related to the WiderThan acquisition, Real will recognize approximately \$5 million less in 2007 revenue than if WiderThan had remained a stand-alone company. Real expects 2007 GAAP net income per diluted share of \$0.18 to \$0.23 and adjusted net income per diluted share of \$0.19 to \$0.23. Included in Real's GAAP guidance is approximately \$21 million, or \$0.11 per share, of acquisition costs related to WiderThan, including intangible asset amortization and stock options converted to cash rights, and \$26 million to \$30 million, or \$0.14 to \$0.16 per diluted share of non-cash stock based compensation expense. Stock based compensation expense is projected to be higher in 2007 than 2006 primarily due to options granted to employees who joined Real from WiderThan. In addition to the foregoing expenses, estimated adjusted net income in 2007 also excludes the effects from amortization of intangible assets of approximately \$4 million, or \$0.02 per share, from all previous acquisitions other than WiderThan. This guidance assumes an effective tax rate of approximately 41%, up from approximately 36% in 2006 due to certain non-deductible international expenses. See complete reconciliation of estimated GAAP net income per diluted share to adjusted net income per diluted share, provided in the financial tables that accompany this press release.

For the first quarter of 2007, Real expects revenue in the range of \$122 million to \$126 million, GAAP net income per diluted share of \$0.16 to \$0.18 and adjusted net income per diluted share of \$0.02 to \$0.04. This guidance assumes an effective tax rate of approximately 41%. See complete reconciliation of estimated GAAP net income per diluted share to adjusted net income per diluted share, provided in the financial tables that accompany this press release.

About Non-GAAP Financial Measures

To supplement the Company's consolidated financial results presented in accordance with GAAP, RealNetworks uses non-GAAP measures for certain components of financial performance. These non-GAAP measures include adjusted net income, adjusted net income per diluted share, adjusted EBITDA and adjusted operating expenses. For actual results presented through 2006, adjusted net income excludes the impact of the following: stock-based compensation expense; income and expenses including charitable contributions related to the Microsoft agreements; equity investment gains and losses from sale or impairments; acquisition costs related to the purchase of WiderThan, including amortization of intangible assets and expenses for employee stock options that were converted to cash rights; an estimate of the income taxes from the aforementioned items; and changes in deferred tax asset valuation allowances. Estimated 2007 adjusted net income excludes the impact of the items in Real's 2006 adjusted net income, listed above, in addition to amortization of intangible assets for all acquisitions. Adjusted EBITDA excludes the impact of the following: interest income, net; income taxes; depreciation; amortization; stock based compensation; expenses for employee stock options that were converted to cash rights; equity

investment gains and losses from sale or impairments; and income and expenses including charitable contributions related to the Microsoft agreements. The presentation of these non-GAAP financial measures is not intended to be considered as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. These non-GAAP measures are provided to enhance investors' overall understanding of the Company's current and expected future financial performance. The Company believes these non-GAAP measures provide useful information to management and investors by excluding certain income, expenses and gains and losses that may not be indicative of its core operating and financial results. Management uses these measures on an ongoing basis to track and assess the Company's financial performance. The accompanying financial tables provide reconciliations to the nearest GAAP measure of all non-GAAP measures provided in this press release.

The Company will host a webcast and conference call today at 5:00 pm (Eastern)/2:00 pm (Pacific). The live webcast featuring slides and audio, will be available at <http://investor.realnetworks.com>. Listeners will require RealPlayer® to listen to the conference call, which can be downloaded for free at www.real.com. The on-demand webcast will be available approximately two hours following the conclusion of the live webcast. Participants may access the conference call by dialing 800-857-5305 (773-681-5857 for international callers). The passcode is "Fourth Quarter Earnings," and the leader is Rob Glaser. A telephonic replay will be available until 8 pm (Eastern) on February 21, 2006, and may be accessed by dialing 800-813-5527 (203-369-3347 for international callers).

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ABOUT REALNETWORKS

RealNetworks, Inc. is a leading creator of digital media services and software including Rhapsody, RealPlayer® 10 and casual PC and mobile games. Broadcasters, network operators, media companies and enterprises use RealNetworks' products and services to create and deliver digital media to PCs, mobile phones and consumer electronic devices. Consumers can access and experience audio/video programming and download RealNetworks' consumer software at www.real.com. RealNetworks' corporate information is located at <http://www.realnetworks.com/company>.

Forward Looking Statements: This press release contains forward-looking statements that involve risks and uncertainties, including statements relating to: (a) Real's future revenue, GAAP and adjusted net income per diluted share, amortization of intangible assets, stock based compensation expense and income tax rate; (b) the continuing growth in demand for Real's consumer products and business technologies; and (c) expected future payments resulting from the Microsoft agreements. Actual results may differ materially from the results predicted. Factors that could cause actual results to differ from the results predicted include: development and consumer acceptance of legal online music distribution services generally and RealNetworks' content services in particular because these are relatively new and unproven business models and markets; risks associated with acquisitions generally, and the acquisition of WiderThan in particular, including the risks of integration, unknown liabilities and operations in new markets and geographies, as well as risks specifically associated with WiderThan's business; the potential that we will be unable to continue to enter into commercially attractive agreements with third parties for the provision of compelling content for our subscription service offerings; the impact on our gross margins from content costs and from the mix of subscribers to subscription offerings with higher content costs than others; competitive risks, including competing technologies, products and services, and the competitive activities of our larger competitors, some of which have strong ties to streaming media users through other products; risks associated with the introduction of new products and services; risks inherent in strategic relationships, especially with competitors, and technology and service integration efforts; and risks relating to the ability of Real's strategic partners to generate subscribers for Real's digital content services. More information about potential risk factors that could affect RealNetworks' business and financial results is included in RealNetworks' annual report on Form 10-K for the most recent year ended December 31, and its quarterly reports on Form 10-Q and from time to time in other reports filed by RealNetworks with the Securities and Exchange Commission. The preparation of our financial statements and forward looking financial guidance requires us to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results may differ materially from these estimates under different assumptions or conditions. The Company assumes no obligation to update any forward-looking statements or information, which are in effect as of their respective dates.

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