



RealNetworks Announces First Quarter 2009 Results

John Chapple Named to Board of Directors

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[RealNetworks, Inc. and Subsidiaries Condensed Consolidated Statement of Operations \(PDF\)](#)

SEATTLE - May 7, 2009 - Digital entertainment services company RealNetworks®, Inc. (Nasdaq: RNWK) today announced results for the the first quarter ended March 31, 2009.

Quarterly Highlights

- Revenue of \$140.8 million
- Net loss of \$(12.1) million or \$(.10) per share
- Adjusted EBITDA of \$4.8 million
- Cash and short term investments of \$376.5 million as of March 31, 2009

"In the midst of the deepest recession in decades, at RealNetworks we demonstrated our resiliency and delivered steady overall results," said Rob Glaser, RealNetworks' Chairman and CEO.

First Quarter Results

For the first quarter of 2009, revenue was \$140.8 million, a decrease of 5%, compared with \$147.6 million in the first quarter of 2008. Foreign currency exchange rate fluctuations negatively affected 2009 first quarter revenue by approximately \$8.7 million compared with the year-ago quarter. Excluding the effects of these foreign exchange rate changes, revenue grew 1% year over year. Revenue trends in each of Real's businesses in the first quarter of 2009, including the effects of foreign currency exchange rate changes, compared with the year-earlier quarter were: a 16% increase in Music revenue to \$44.1 million and a 3% increase in Games revenue to \$32.8 million, offset by a 15% decrease in Technology Products and Solutions revenue to \$43.6 million and a 23% decrease in Media Software and Services revenue to \$20.3 million.

Net loss for the first quarter of 2009 was \$(12.1) million, or \$(0.10) per share, compared with net income of \$2.4 million, or \$0.02 per diluted share, in the first quarter of 2008. Adjusted EBITDA for the first quarter of 2009 was \$4.8 million compared with \$19.9 million in the first quarter of 2008. A reconciliation of GAAP net income to adjusted EBITDA is provided in the financial tables that accompany this release.

Gross margin was 60% in the first quarter of 2009 compared with 62% in the first quarter of 2008. Operating expenses for the first quarter of 2009 were \$103.3 million, compared with \$103.7 million in the first quarter of 2008. Operating expenses included \$7.4 million and \$7.3 million of related party advertising in Rhapsody America in the first quarter of 2009 and 2008, respectively.

Income tax provision was \$1.5 million compared with \$4.0 million in the year-earlier period. Interest income in the first quarter of 2009 was \$1.2 million compared with \$5.0 million in the year-earlier period.

As of March 31, 2009, Real had approximately \$376.5 million in unrestricted cash, cash equivalents and short-term investments, of which nearly 90% is located in the U.S. In addition, Real has approximately \$33.5 million in restricted cash and equity investments at March 31, 2009.

Business Outlook

Due to the high level of uncertainty regarding consumer spending, global economic trends, foreign currency exchange rate fluctuations and credit markets, RealNetworks is not providing quantitative guidance. The company expects 2009 to be a challenging year for consumer spending, online advertising and corporate infrastructure spending.

For the second quarter of 2009, Real expects overall revenue to decline year-over-year and to be flat to slightly down sequentially. Compared with the year-ago second quarter, the company expects second-quarter Music revenue to increase, and revenue in Games, Media Software and Services and Technology Products and Solutions to decline. Approximately 20% of

Real's revenue is denominated in currencies other than the U.S. dollar, most notably the euro and Korean won. Based on current currency trends, Real expects revenues to be negatively affected by foreign currency rates in the second quarter. The foregoing forward-looking statements reflect Real's expectations as of May 7, 2009. It is not Real's general practice to update these forward-looking statements until its next quarterly results announcement.

John Chapple Joins RealNetworks Board of Directors

RealNetworks also announced today that John Chapple has been appointed to the company's board of directors. Mr. Chapple brings to Real's board more than two decades of senior executive operating experience primarily with large telecommunications companies including Nextel Partners, where he served as CEO for eight years, and McCaw Cellular Communications. Mr. Chapple also serves on the board of directors of Yahoo! Inc. and Cbeyond, Inc., a voice and broadband Internet provider.

Mr. Chapple fills the vacancy on Real's board resulting from the resignation of Jeremy Jaech, which is also being announced today. Previously, Real had announced that Mr. Jaech would not be running for a new term on Real's board this year. Real anticipates nominating Mr. Chapple to serve a full term at Real's 2009 annual shareholders meeting later this year.

"We are delighted to have John Chapple join our board," said Mr. Glaser. "John's intellect, experience, and track record of creating substantial value will serve us well in the months and years ahead. I also want to thank Jeremy Jaech for his seven years of outstanding service on our board, and wish him well as CEO of Verdiem."

"It is both an honor and tremendously exciting to join the RealNetworks board," said Mr. Chapple. "Real is a fascinating company with a world-class management team and board of directors. I am looking forward to participating in the next stage of the company's growth."

Mr. Chapple has served as president of Hawkeye Investments LLC, a privately owned equity firm investing primarily in telecommunications and real estate ventures, since October 2006. Prior to forming Hawkeye, Mr. Chapple served as president, chief executive officer and chairman of the board of Nextel Partners from January 1998 to June 2006, when the company was purchased by Sprint Communications for \$6.5 billion. From 1995 to 1997, Mr. Chapple was the president and chief operating officer of Orca Bay Sports and Entertainment in Vancouver, B.C., a professional sports and entertainment company, which at the time owned and operated Vancouver's National Basketball Association and National Hockey League sports franchises. From 1988 to 1995, he served as executive vice president of operations for McCaw Cellular Communications and subsequently AT&T Wireless Services following the merger of those companies.

Webcast Details

The company will host a webcast and conference call today at 5:00pm (Eastern)/ 2:00pm (Pacific). The live webcast featuring slides and audio will be available at <http://investor.realnworks.com>

Listeners must use 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.

Conference Call Details

Time:
5:00 pm (Eastern) / 2:00 pm (Pacific)
Dial In:
800-857-5305 Domestic
773-681-5857 International
Passcode: First Quarter Earnings
Leader: Rob Glaser

Telephonic replay will be available until 8:00 pm (Eastern), May 21, 2009.

Dial In:
866-353-3016 Domestic
203-369-0082 International

RNWK-F

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ABOUT REALNETWORKS

RealNetworks, Inc. delivers digital entertainment services to consumers via PC, portable music player, home entertainment system and mobile phone. Real created the streaming media category in 1995 and has continued to lead the market with pioneering products and services, including: RealPlayer®, the first mainstream media player to enable one-click downloading and recording of Internet video; the award-winning Rhapsody® digital music service, which delivers more than 1 billion songs per year; RealArcade®, one of the largest casual games destinations on the Web; and a variety of mobile entertainment services, such as ringback tones, offered to consumers through leading wireless carriers around the world. RealNetworks' corporate information is located at investor.realnetworks.com.

About Non-GAAP Financial Measures

To supplement RealNetworks' condensed consolidated financial statements presented in accordance with GAAP in this press release, the company also discloses certain non-GAAP financial measures, including adjusted revenue, adjusted EBITDA excluding impairments, adjusted EBITDA, adjusted EBITDA by reporting segment, adjusted cost of revenue and adjusted operating expenses, which management believes provide investors with useful information.

In the financial tables of our earnings press release, RealNetworks has included reconciliations of GAAP net income (loss) to adjusted EBITDA, to adjusted EBITDA excluding impairments, and to adjusted EBITDA by reporting segment; GAAP cost of revenue to adjusted cost of revenue; and GAAP operating expenses to adjusted operating expenses for the relevant periods.

The rationale for management's use of non-GAAP measures is included in the supplementary materials presented with the first quarter earnings materials, available in Exhibit 99.2 ("Information Regarding Non-GAAP Financial Measures") to the company's report on Form 8-K, which is being submitted today to the SEC.

Forward Looking Statements: This press release contains forward-looking statements that involve risks and uncertainties, including statements relating to Real's current expectations for future revenue, future effects of foreign currency exchange rates, and future trends in consumer and corporate infrastructure spending and online advertising. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. Actual results may differ materially from the results predicted. Factors that could cause actual results to differ from the results predicted include: fluctuations in foreign currencies, particularly changes in the US dollar relative to the euro and the Korean won; 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; the potential that Real will be unable to continue to enter into commercially attractive agreements with third parties for the provision of compelling content for its subscription service offerings and the distribution of Real's carrier application services; the emergence of new entrants and competition in the market for digital media subscription offerings and online music sales; 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; the potential outcomes and effects of claims and legal proceedings on our business, prospects, financial condition or results of operations; risks associated with the introduction of new products and services; changes in consumer and advertising spending in response to disruptions in the global financial markets; 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, its quarterly reports on Form 10-Q and in other reports and documents filed by RealNetworks from time to time with the Securities and Exchange Commission. The preparation of RealNetworks' financial statements and forward-looking financial guidance requires the company 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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