



## RealNetworks Announces Second Quarter 2009 Results

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

**SEATTLE - July 30, 2009** - Digital entertainment services company RealNetworks®, Inc. (Nasdaq: RNWK) today announced results for the second quarter ended June 30, 2009.

### Quarterly Highlights

- Revenue of \$135.7 million
- Net loss of \$(188.3) million or \$(1.40) per share
- Adjusted EBITDA of \$4.1 million
- Cash and short term investments of \$362.8 million as of June 30, 2009

"In spite of a difficult consumer environment, our business remained relatively stable in the second quarter," said Rob Glaser, RealNetworks' Chairman and CEO. "Looking forward, even though we expect the economy to remain weak, we expect to show sequential improvement in the second half of the year based in part on new products such as our innovative RealPlayer SP."

### Second Quarter Results

For the second quarter of 2009, revenue was \$135.7 million, a decrease of 11%, compared with \$152.6 million in the second quarter of 2008. Foreign currency exchange rate fluctuations negatively affected 2009 second quarter revenue by approximately \$6.3 million compared with the year-ago quarter. Excluding the effects of these foreign exchange rate changes, revenue declined 7% year over year. Revenue trends in each of Real's businesses in the second quarter of 2009, including the effects of foreign currency exchange rate changes, compared with the year-earlier quarter were: a 9% increase in Music revenue to \$40.5 million, offset by a 10% decrease in Technology Products and Solutions revenue to \$46.2 million, a 15% decrease in Games revenue to \$29.8 million, and a 34% decrease in Media Software and Services revenue to \$19.3 million.

Net loss for the second quarter of 2009 was \$(188.3) million, or \$(1.40) per share, compared with a net loss of \$(1.3) million, or \$(0.01) per share, in the second quarter of 2008. Included in the second quarter 2009 net loss were non-cash goodwill impairment charges of \$175.6 million. Adjusted EBITDA for the second quarter of 2009 was \$4.1 million compared with \$17.4 million in the second 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 59% in the second quarter of 2009 compared with 64% in the second quarter of 2008. Income tax provision was \$(1.2) million in the second quarter of 2009, compared with \$(3.7) million in the year-earlier period. Interest income in the second quarter of 2009 was \$754,000 compared with \$3.4 million in the year-earlier period.

As of June 30, 2009, Real had approximately \$362.8 million in unrestricted cash, cash equivalents and short-term investments, of which nearly 90% is located in the U.S. In addition, Real had approximately \$37 million in restricted cash and equity investments at June 30, 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 continue to be a challenging year for consumer spending, online advertising and corporate infrastructure spending.

For the third quarter of 2009, Real expects overall revenue to increase sequentially but to decline year-over-year. Sequentially, the company expects revenue to be flat or increase in each of our segments. Compared with the year-ago third quarter, Real expects third-quarter Media Software and Services revenue to be flat, and revenue in Music, Games and Technology Products

and Solutions to decline.

The foregoing forward-looking statements reflect Real's expectations as of July 30, 2009. It is not Real's general practice to update these forward-looking statements until its next quarterly results announcement.

### **Webcast and Conference Call Information**

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.realnetworks.com>

Listeners must use RealPlayer® to listen to the conference call, which can be downloaded for free at [www.real.com](http://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: Second Quarter Earnings

Leader: Rob Glaser

Telephonic replay will be available until 8:00 pm (Eastern), August 13, 2009.

Dial In:

866-873-2049 Domestic

403-220-5369 International

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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](http://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 second 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.

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**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 and other financial results, future success of Real's new products, continued weakness of the economy 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; the potential outcomes and effects of claims and legal proceedings, including those relating to RealDVD and the ongoing VeriSign arbitration, on Real's business, prospects, financial condition or results of operations; 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, online music sales and downloadable casual games; competitive risks, including the emergence or growth of competing technologies, products and services; risks associated with business acquisitions and 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 with respect to 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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