

REALNETWORKS ANNOUNCES SECOND QUARTER 2018

RESULTS

SEATTLE - August 1, 2018 -

- *Revenue of \$15.7 million compared to \$21.6 million in the prior year period and \$19.7 million in the prior quarter*
- *Reduced operating expenses by \$0.6 million, or 3%, year-over-year and by \$1.5 million, or 8%, sequentially*
- *Gross margin from continuing operations of 71%, same as the prior year period*
- *Continued progress on growth initiatives that will contribute to revenue in 2018*
- *Launched SAFR, a state-of-the-art facial recognition platform, July 2018*

RealNetworks, Inc. (Nasdaq: RNWK), a leader in digital media software and services, today announced results for the second quarter ended June 30, 2018.

Management Commentary

"It was a disappointing quarter financially and a strong quarter strategically," said Rob Glaser, Chairman and CEO of RealNetworks. "Revenue and Adjusted EBITDA fell short of our expectations, as a result of a few specific factors that don't lessen our confidence in our growth initiatives. We are particularly pleased with the mid-July launch of SAFR, our world class facial recognition platform. Initial market feedback has been very encouraging."

Second Quarter 2018 Financial Highlights from Continuing Operations

- Revenue was \$15.7 million compared to \$19.7 million in the prior quarter and \$21.6 million in the prior year period.
- Operating expenses decreased \$1.5 million, or 8%, from the prior quarter and decreased \$0.6 million, or 3%, from the prior year period.
- Net loss was \$(6.9) million, or \$(0.18) per share, compared to net loss of \$(5.2) million, or \$(0.14) per share, in the prior quarter and a net loss of \$(3.8) million, or \$(0.10) per share, in the prior year period.
- Adjusted EBITDA was a loss of \$(5.7) million compared to a loss of \$(3.0) million in the prior quarter and a loss of \$(1.3) million in the prior year period. A reconciliation of GAAP net income (loss) to adjusted EBITDA, a non-GAAP measure, is provided in the financial tables that accompany this release.
- At June 30, 2018, the Company had \$42.1 million in unrestricted cash, cash equivalents and short-term investments, compared to \$54.3 million at March 31, 2018. This change included \$4.2 million associated with our acquisition of Blue Giraffe, a Netherlands-based game development studio.

Business Outlook

For the third quarter of 2018, RealNetworks expects to achieve the following results:

- Total revenue is expected to be in the range of \$17 million to \$19 million.
- Adjusted EBITDA loss is expected to be in the range of \$(2.5) million to \$(4.5) million.

New Revenue Recognition Accounting Standard

As of January 1, 2018, we adopted Accounting Standards Codification 606 (Topic 606), Revenue from Contracts with Customers, which affects the accounting for our revenue. We adopted Topic 606 using the modified retrospective transition method, under which the prior periods presented have not been recast to reflect adoption of the new standard.

For additional details on the impact of the standard, see our Annual Report on Form 10-K for the year ended December 31, 2017, and our 2018 Quarterly Reports on Form 10-Q.

Conference Call and Webcast Information

The company will host a conference call today to review results and discuss the company's performance shortly after 4:30 p.m. ET/1:30 p.m. PT. You may join the conference call by calling 1-877-451-6152 (United States) or 1-201-389-0879 (International). A telephonic replay of the call will also be available shortly after the completion of the call, until 11:59 pm ET on Wednesday, August 22, 2018, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 13681039.

A live webcast will be available on RealNetworks' Investor Relations site under Events at <http://investor.realnetworks.com> and will be archived online upon completion of the conference call.

For More Information

Investor Relations for RealNetworks

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About RealNetworks

RealNetworks creates innovative technology products and services that make it easy to connect with and enjoy digital media. RealNetworks invented the streaming media category and continues to connect consumers with their digital media both directly and through partners, aiming to support every network, device, media type and social network. Find RealNetworks' corporate information at www.realnetworks.com.

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About Non-GAAP Financial Measures

To supplement RealNetworks' consolidated financial information presented in accordance with GAAP in this press release, the company also discloses certain non-GAAP financial measures, including adjusted EBITDA and contribution margin by reportable segment, 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) from continuing operations to adjusted EBITDA and operating income (loss) by reportable segment to contribution margin by reportable segment.

The rationale for management's use of non-GAAP measures is included in the supplementary materials presented with the quarterly earnings materials. Please refer to 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 RealNetworks' current expectations regarding future revenue and adjusted EBITDA, our future growth, profitability, and market position, our strategic focus and initiatives, agreements with partners, and the growth and future prospects relating to our Rhapsody d/b/a Napster affiliate. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. These statements reflect RealNetworks' expectations as of today, and actual results may differ materially from the results predicted. Factors that could cause actual results to differ from the results predicted include: RealNetworks' ability to realize operating efficiencies, growth and other benefits from the implementation of its growth plan, strategic initiatives, and restructuring efforts; the emergence of new entrants and competition in the market for digital media products and services; other competitive risks, including the growth of competing technologies, products and services; the potential outcomes and effects of claims and legal proceedings on RealNetworks' business, prospects, financial condition or results of operations; risks associated with key customer or strategic relationships, 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; fluctuations in foreign currencies; and changes in RealNetworks' effective tax rate. 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 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.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|-------------------|------------------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| (in thousands, except per share data) | | | | |
| Net revenue | \$ 15,724 | \$ 21,605 | \$ 35,374 | \$ 41,296 |
| Cost of revenue | 4,625 | 6,287 | 9,761 | 12,856 |
| Gross profit | <u>11,099</u> | <u>15,318</u> | <u>25,613</u> | <u>28,440</u> |
| Operating expenses: | | | | |
| Research and development | 7,652 | 7,584 | 15,346 | 14,933 |
| Sales and marketing | 4,883 | 5,496 | 10,880 | 12,651 |
| General and administrative | 5,339 | 5,254 | 10,940 | 10,557 |
| Restructuring and other charges | 187 | 150 | 688 | 1,714 |
| Lease exit and related benefit | (129) | — | (454) | — |
| Total operating expenses | <u>17,932</u> | <u>18,484</u> | <u>37,400</u> | <u>39,855</u> |
| Operating loss | <u>(6,833)</u> | <u>(3,166)</u> | <u>(11,787)</u> | <u>(11,415)</u> |
| Other income (expenses): | | | | |
| Interest income, net | 111 | 109 | 198 | 237 |
| Equity in net loss of Napster | — | (349) | — | (1,097) |
| Other income (expense), net | (42) | (13) | (83) | (239) |
| Total other income (expense), net | <u>69</u> | <u>(253)</u> | <u>115</u> | <u>(1,099)</u> |
| Loss from continuing operations before income taxes | (6,764) | (3,419) | (11,672) | (12,514) |
| Income tax expense | 166 | 360 | 436 | 815 |
| Loss from continuing operations | (6,930) | (3,779) | (12,108) | (13,329) |
| Net income from discontinued operations, net of tax | — | 393 | — | 519 |
| Net loss | <u>\$ (6,930)</u> | <u>\$ (3,386)</u> | <u>\$ (12,108)</u> | <u>\$ (12,810)</u> |
| Net income (loss) per share - Basic: | | | | |
| Continuing operations | \$ (0.18) | \$ (0.10) | \$ (0.32) | \$ (0.35) |
| Discontinued operations | — | 0.01 | — | 0.01 |
| Net loss per share - Basic | <u>\$ (0.18)</u> | <u>\$ (0.09)</u> | <u>\$ (0.32)</u> | <u>\$ (0.34)</u> |
| Net income (loss) per share - Diluted: | | | | |
| Continuing operations | \$ (0.18) | \$ (0.10) | \$ (0.32) | \$ (0.35) |
| Discontinued operations | — | 0.01 | — | 0.01 |
| Net loss per share - Diluted | <u>\$ (0.18)</u> | <u>\$ (0.09)</u> | <u>\$ (0.32)</u> | <u>\$ (0.34)</u> |
| Shares used to compute basic net income (loss) per share | 37,577 | 37,103 | 37,514 | 37,067 |
| Shares used to compute diluted net income (loss) per share | 37,577 | 37,103 | 37,514 | 37,067 |

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

| | June 30, 2018 | December 31, 2017 |
|---|--------------------------|------------------------------|
| | (in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 39,080 | \$ 51,196 |
| Short-term investments | 3,053 | 8,779 |
| Trade accounts receivable, net | 13,127 | 12,689 |
| Deferred costs, current portion | 375 | 426 |
| Prepaid expenses and other current assets | 5,250 | 3,715 |
| Current assets of discontinued operations | — | 17,456 |
| Total current assets | 60,885 | 94,261 |
| Equipment and software | 41,793 | 46,417 |
| Leasehold improvements | 3,511 | 3,536 |
| Total equipment, software, and leasehold improvements | 45,304 | 49,953 |
| Less accumulated depreciation and amortization | 42,083 | 46,093 |
| Net equipment, software, and leasehold improvements | 3,221 | 3,860 |
| Restricted cash equivalents | 1,880 | 2,400 |
| Other assets | 5,844 | 5,588 |
| Deferred costs, non-current portion | 679 | 955 |
| Deferred tax assets, net | 1,036 | 1,047 |
| Other intangible assets, net | 215 | 325 |
| Goodwill | 17,120 | 13,060 |
| Total assets | \$ 90,880 | \$ 121,496 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|-----------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 2,744 | \$ 3,785 |
| Accrued and other current liabilities | 12,261 | 12,365 |
| Commitment to Napster | 2,750 | 2,750 |
| Deferred revenue, current portion | 2,155 | 3,097 |
| Current liabilities of discontinued operations | — | 17,107 |
| Total current liabilities | 19,910 | 39,104 |
| Deferred revenue, non-current portion | 353 | 443 |
| Deferred rent | 1,023 | 982 |
| Deferred tax liabilities, net | 170 | 19 |
| Other long-term liabilities | 1,054 | 1,775 |
| Total liabilities | 22,510 | 42,323 |
| Shareholders' equity | 68,370 | 79,173 |
| Total liabilities and shareholders' equity | \$ 90,880 | \$ 121,496 |

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended | |
|--|-------------------------|------------------|
| | June 30, | |
| | 2018 | 2017 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net loss | \$ (12,108) | \$ (12,810) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,231 | 1,757 |
| Stock-based compensation | 1,614 | 2,297 |
| Equity in net loss of Napster | — | 1,097 |
| Deferred income taxes, net | (12) | (40) |
| Fair value of warrants granted in 2015 and 2017, net of subsequent mark to market adjustments in 2018 and 2017 | 50 | (417) |
| Net change in certain operating assets and liabilities | (3,505) | (5,830) |
| Net cash used in operating activities | <u>(12,730)</u> | <u>(13,946)</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment, software, and leasehold improvements | (580) | (417) |
| Purchases of short-term investments | — | (13,905) |
| Proceeds from sales and maturities of short-term investments | 5,726 | 32,617 |
| Acquisition, net of cash acquired | (4,192) | — |
| Advance to Napster | — | (1,500) |
| Net cash provided by investing activities | <u>954</u> | <u>16,795</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock (stock options and stock purchase plan) | 114 | 130 |
| Tax payments from shares withheld upon vesting of restricted stock | (243) | (192) |
| Net cash used in financing activities | <u>(129)</u> | <u>(62)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | <u>(731)</u> | <u>1,347</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (12,636) | 4,134 |
| Cash, cash equivalents and restricted cash, beginning of period | <u>53,596</u> | <u>36,421</u> |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 40,960</u> | <u>\$ 40,555</u> |

RealNetworks, Inc. and Subsidiaries
Supplemental Financial Information
(Unaudited)

| | <u>2018</u> | | <u>2017</u> | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>Q2</u> | <u>Q1</u> | <u>Q4</u> | <u>Q3</u> | <u>Q2</u> | <u>Q1</u> |
| | (in thousands) | | | | | |
| Net Revenue by Line of Business | | | | | | |
| Consumer Media (A) | \$ 3,884 | \$ 5,483 | \$ 5,752 | \$ 4,197 | \$ 6,951 | \$ 5,669 |
| Mobile Services (B) | 6,719 | 8,704 | 7,155 | 7,678 | 7,720 | 8,199 |
| Games (C) | 5,121 | 5,463 | 5,958 | 6,682 | 6,934 | 5,823 |
| Total net revenue | <u>\$ 15,724</u> | <u>\$ 19,650</u> | <u>\$ 18,865</u> | <u>\$ 18,557</u> | <u>\$ 21,605</u> | <u>\$ 19,691</u> |
| Net Revenue by Product | | | | | | |
| <u>Consumer Media</u> | | | | | | |
| - Software License (D) | \$ 1,808 | \$ 3,337 | \$ 3,595 | \$ 2,012 | \$ 4,741 | \$ 3,295 |
| - Subscription Services (E) | 1,225 | 1,285 | 1,362 | 1,434 | 1,531 | 1,564 |
| - Product Sales (F) | 299 | 340 | 350 | 322 | 261 | 377 |
| - Advertising & Other (G) | 552 | 521 | 445 | 429 | 418 | 433 |
| <u>Mobile Services</u> | | | | | | |
| - Software License (H) | 469 | 1,335 | 388 | 688 | 642 | 619 |
| - Subscription Services (I) | 6,250 | 7,369 | 6,767 | 6,990 | 7,078 | 7,580 |
| <u>Games</u> | | | | | | |
| - Subscription Services (J) | 2,689 | 2,693 | 2,707 | 2,708 | 2,781 | 2,828 |
| - Product Sales (K) | 1,953 | 2,402 | 3,086 | 3,851 | 4,007 | 2,862 |
| - Advertising & Other (L) | 479 | 368 | 165 | 123 | 146 | 133 |
| Total net revenue | <u>\$ 15,724</u> | <u>\$ 19,650</u> | <u>\$ 18,865</u> | <u>\$ 18,557</u> | <u>\$ 21,605</u> | <u>\$ 19,691</u> |
| Net Revenue by Geography | | | | | | |
| United States | \$ 7,646 | \$ 11,434 | \$ 10,120 | \$ 10,084 | \$ 10,889 | \$ 9,740 |
| Rest of world | 8,078 | 8,216 | 8,745 | 8,473 | 10,716 | 9,951 |
| Total net revenue | <u>\$ 15,724</u> | <u>\$ 19,650</u> | <u>\$ 18,865</u> | <u>\$ 18,557</u> | <u>\$ 21,605</u> | <u>\$ 19,691</u> |

Net Revenue by Line of Business

(A) The Consumer Media division primarily includes revenue from the licensing of our portfolio of video codec technologies. Also included is RealPlayer and related products, such as the distribution of third-party software products, advertising on RealPlayer websites, sales of RealPlayer Plus software to consumers, and consumer subscriptions such as RealPlayer Plus and SuperPass.

(B) The Mobile Services division primarily includes revenue from SaaS services and sales of professional services provided to mobile carriers.

(C) The Games division primarily includes revenue from sales of mobile and PC games, online games subscription services, and advertising on games sites and social network sites.

Net Revenue by Product

(D) Software licensing revenue within Consumer Media includes revenues from licenses of our video codec technologies.

(E) Subscriptions revenue within Consumer Media includes revenue from subscriptions such as our RealPlayer Plus and SuperPass offerings.

(F) Product sales within Consumer Media includes sales of RealPlayer Plus software to consumers.

(G) Advertising & other revenue within Consumer Media includes distribution of third-party software products and advertising on RealPlayer websites.

(H) Software license revenue within Mobile Services includes revenue from our integrated RealTimes platform.

(I) Subscription services revenue within Mobile Services includes revenue from ringback tones and our intercarrier messaging services, as well as from related professional services provided to mobile carriers.

(J) Subscription services revenue within Games includes revenue from online games subscriptions.

(K) Product sales revenue within Games includes revenue from retail and wholesale games-related revenue and sales of mobile games.

(L) Advertising & other revenue within Games includes advertising on games sites and social network sites.

RealNetworks, Inc. and Subsidiaries
Segment Results of Operations and Reconciliation to non-GAAP Contribution Margin
(Unaudited)

| | 2018 | | 2017 | | |
|--|----------------|------------|------------|------------|------------|
| | Q2 | Q1 | Q2 | YTD | YTD |
| | (in thousands) | | | | |
| Consumer Media | | | | | |
| Net revenue | \$ 3,884 | \$ 5,483 | \$ 6,951 | \$ 9,367 | \$ 12,620 |
| Cost of revenue | 1,028 | 993 | 1,159 | 2,021 | 2,564 |
| Gross profit | 2,856 | 4,490 | 5,792 | 7,346 | 10,056 |
| Gross margin | 74% | 82% | 83% | 78% | 80% |
| Operating expenses | 3,439 | 3,918 | 3,730 | 7,357 | 7,740 |
| Operating income (loss), a GAAP measure | \$ (583) | \$ 572 | \$ 2,062 | \$ (11) | \$ 2,316 |
| Depreciation and amortization | 51 | 46 | 159 | 97 | 326 |
| Contribution margin, a non-GAAP measure | \$ (532) | \$ 618 | \$ 2,221 | \$ 86 | \$ 2,642 |
| Mobile Services | | | | | |
| Net revenue | \$ 6,719 | \$ 8,704 | \$ 7,720 | \$ 15,423 | \$ 15,919 |
| Cost of revenue | 2,134 | 2,316 | 2,426 | 4,450 | 5,616 |
| Gross profit | 4,585 | 6,388 | 5,294 | 10,973 | 10,303 |
| Gross margin | 68% | 73% | 69% | 71% | 65% |
| Operating expenses | 6,969 | 7,366 | 6,705 | 14,335 | 14,824 |
| Operating income (loss), a GAAP measure | \$ (2,384) | \$ (978) | \$ (1,411) | \$ (3,362) | \$ (4,521) |
| Acquisitions related intangible asset amortization | 91 | 92 | 201 | 183 | 397 |
| Depreciation and amortization | 155 | 180 | 175 | 335 | 378 |
| Contribution margin, a non-GAAP measure | \$ (2,138) | \$ (706) | \$ (1,035) | \$ (2,844) | \$ (3,746) |
| Games | | | | | |
| Net revenue | \$ 5,121 | \$ 5,463 | \$ 6,934 | \$ 10,584 | \$ 12,757 |
| Cost of revenue | 1,456 | 1,817 | 2,679 | 3,273 | 4,616 |
| Gross profit | 3,665 | 3,646 | 4,255 | 7,311 | 8,141 |
| Gross margin | 72% | 67% | 61% | 69% | 64% |
| Operating expenses | 5,095 | 4,917 | 5,090 | 10,012 | 10,037 |
| Operating income (loss), a GAAP measure | \$ (1,430) | \$ (1,271) | \$ (835) | \$ (2,701) | \$ (1,896) |
| Acquisitions related intangible asset amortization | 20 | — | 25 | 20 | 52 |
| Depreciation and amortization | 146 | 165 | 157 | 311 | 298 |
| Contribution margin, a non-GAAP measure | \$ (1,264) | \$ (1,106) | \$ (653) | \$ (2,370) | \$ (1,546) |
| Corporate | | | | | |
| Cost of revenue | \$ 7 | \$ 10 | \$ 23 | \$ 17 | \$ 60 |
| Gross profit | (7) | (10) | (23) | (17) | (60) |
| Gross margin | N/A | N/A | N/A | N/A | N/A |
| Operating expenses | 2,429 | 3,267 | 2,959 | 5,696 | 7,254 |
| Operating income (loss), a GAAP measure | \$ (2,436) | \$ (3,277) | \$ (2,982) | \$ (5,713) | \$ (7,314) |
| Other income (expense), net | (42) | (41) | (13) | (83) | (239) |
| Depreciation and amortization | 148 | 137 | 119 | 285 | 306 |
| Restructuring and other charges | 187 | 501 | 150 | 688 | 1,714 |
| Stock-based compensation | 457 | 1,157 | 863 | 1,614 | 2,297 |
| Lease exit and related benefit | (129) | (325) | — | (454) | — |
| Contribution margin, a non-GAAP measure | \$ (1,815) | \$ (1,848) | \$ (1,863) | \$ (3,663) | \$ (3,236) |

RealNetworks, Inc. and Subsidiaries
Reconciliation of Net income (loss) from continuing operations to adjusted EBITDA, a non-GAAP measure
(Unaudited)

| | 2018 | | 2017 | 2018 | 2017 |
|----|------|--|------|------|------|
| Q2 | Q1 | | Q2 | YTD | YTD |

(in thousands)

Reconciliation of GAAP Net income (loss) from continuing operations to adjusted EBITDA:

| | | | | | | | | | | |
|--|----|---------|----|---------|----|---------|----|----------|----|----------|
| Net income (loss) from continuing operations | \$ | (6,930) | \$ | (5,178) | \$ | (3,779) | \$ | (12,108) | \$ | (13,329) |
| Income tax expense (benefit) | | 166 | | 270 | | 360 | | 436 | | 815 |
| Interest income, net | | (111) | | (87) | | (109) | | (198) | | (237) |
| Equity in net loss of Napster | | — | | — | | 349 | | — | | 1,097 |
| Acquisitions related intangible asset amortization | | 111 | | 92 | | 226 | | 203 | | 449 |
| Depreciation and amortization | | 500 | | 528 | | 610 | | 1,028 | | 1,308 |
| Restructuring and other charges | | 187 | | 501 | | 150 | | 688 | | 1,714 |
| Stock-based compensation | | 457 | | 1,157 | | 863 | | 1,614 | | 2,297 |
| Lease exit and related benefit | | (129) | | (325) | | — | | (454) | | — |
| Adjusted EBITDA, a non-GAAP measure | \$ | (5,749) | \$ | (3,042) | \$ | (1,330) | \$ | (8,791) | \$ | (5,886) |