

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three-Month Information		Six-Month Information	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue:				
Service	\$ 2,716	\$ 3,022	\$ 5,704	\$ 5,951
Subscription	1,496	1,433	2,908	2,817
License	1,451	6,015	4,256	11,945
Total revenue	<u>5,663</u>	<u>10,470</u>	<u>12,868</u>	<u>20,713</u>
Cost of revenue:				
Service	1,169	1,432	2,583	2,835
Subscription	699	588	1,348	1,223
License	84	100	167	196
Total cost of revenue	<u>1,952</u>	<u>2,120</u>	<u>4,098</u>	<u>4,254</u>
Gross profit:				
Service	1,547	1,590	3,121	3,116
Subscription	797	845	1,560	1,594
License	1,367	5,915	4,089	11,749
Total gross profit	<u>3,711</u>	<u>8,350</u>	<u>8,770</u>	<u>16,459</u>
Gross margin:				
Service	57%	53%	55%	52%
Subscription	53%	59%	54%	57%
License	94%	98%	96%	98%
Percentage of gross profit to total revenue	66%	80%	68%	79%
Operating expenses:				
Sales and marketing	2,052	1,563	3,931	2,840
Research, development and engineering	3,404	2,822	6,950	5,547
General and administrative	2,326	2,348	4,747	4,534
Intellectual property	387	261	921	538
Total operating expenses	<u>8,169</u>	<u>6,994</u>	<u>16,549</u>	<u>13,459</u>
Operating income (loss)	(4,458)	1,356	(7,779)	3,000
Other income, net	<u>21</u>	<u>19</u>	<u>48</u>	<u>48</u>
Income (loss) before income taxes	(4,437)	1,375	(7,731)	3,048
(Provision) benefit for income taxes	1,757	(773)	3,065	(1,475)
Net income (loss)	<u>\$ (2,680)</u>	<u>\$ 602</u>	<u>\$ (4,666)</u>	<u>\$ 1,573</u>
Earnings (loss) per common share:				
Earnings (loss) per common share - basic	\$ (0.38)	\$ 0.08	\$ (0.68)	\$ 0.22
Earnings (loss) per common share - diluted	\$ (0.38)	\$ 0.08	\$ (0.68)	\$ 0.21
Weighted average common shares outstanding - basic	7,113	6,850	7,057	6,844
Weighted average common shares outstanding - diluted	7,113	7,090	7,057	7,078
Cash dividends declared per common share:	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22