

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

	Three-Month Information		Nine-Month Information	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue:				
Service	\$ 3,155	\$ 3,030	\$ 8,859	\$ 8,981
Subscription	1,452	1,424	4,360	4,241
License	2,320	2,971	6,576	14,916
Total revenue	6,927	7,425	19,795	28,138
Cost of revenue:				
Service	1,224	1,232	3,807	4,067
Subscription	812	625	2,160	1,848
License	84	98	250	294
Total cost of revenue	2,120	1,955	6,217	6,209
Gross profit:				
Service	1,931	1,798	5,052	4,914
Subscription	640	799	2,200	2,393
License	2,236	2,873	6,326	14,622
Total gross profit	4,807	5,470	13,578	21,929
Gross margin:				
Service	61%	59%	57%	55%
Subscription	44%	56%	50%	56%
License	96%	97%	96%	98%
Percentage of gross profit to total revenue	69%	74%	69%	78%
Operating expenses:				
Sales and marketing	1,999	1,482	5,930	4,322
Research, development and engineering	3,499	3,277	10,449	8,824
General and administrative	2,183	2,456	6,929	6,990
Intellectual property	366	278	1,287	816
Total operating expenses	8,047	7,493	24,595	20,952
Operating income (loss)	(3,240)	(2,023)	(11,017)	977
Other income, net	3	33	50	81
Income (loss) before income taxes	(3,237)	(1,990)	(10,967)	1,058
(Provision) benefit for income taxes	1,252	1,195	4,316	(280)
Net income (loss)	\$ (1,985)	\$ (795)	\$ (6,651)	\$ 778
Earnings (loss) per common share:				
Earnings (loss) per common share - basic	\$ (0.28)	\$ (0.12)	\$ (0.95)	\$ 0.09
Earnings (loss) per common share - diluted	\$ (0.28)	\$ (0.12)	\$ (0.95)	\$ 0.09
Weighted average common shares outstanding - basic	7,176	6,860	7,097	6,850
Weighted average common shares outstanding - diluted	7,176	6,860	7,097	7,080
Cash dividends declared per common share:	\$ -	\$ 0.11	\$ 0.22	\$ 0.33