



Immersion Corporation Reports Second Quarter 2004 Financial Results

SAN JOSE, Calif., Jul 26, 2004 (BUSINESS WIRE) -- Immersion Corporation, (Nasdaq:IMMR), a leading developer and licensor of touch feedback technology, today announced revenues of \$5.5 million for the quarter ended June 30, 2004 compared to revenues of \$4.1 million in the second quarter of 2003. Net loss on a Generally Accepted Accounting Principles (GAAP) basis for the second quarter of 2004 was \$4.8 million, or \$0.21 per share, compared to a net loss of \$4.4 million, or \$0.22 per share, for the second quarter of 2003.

Revenues for the six months ended June 30, 2004 were \$10.9 million compared to revenues of \$7.9 million for the six months ended June 30, 2003. Net loss for the first six months of fiscal 2004 was \$11.0 million, or \$0.50 per share, compared to a net loss of \$8.1 million, or \$0.40 per share, for the first six months of fiscal 2003. As of June 30, 2004, Immersion had cash and cash equivalents totaling \$18.2 million as compared to \$18.8 million as of March 31, 2004.

Vic Viegas, Immersion's CEO said, "This quarter's revenues grew 33 percent over the same quarter last year and were higher across each of our businesses for the second consecutive quarter. Gross margins were 72 percent in the second quarter of 2004 compared to 65 percent for the second quarter of 2003 due to a higher contribution from royalties in the revenue mix. This increase was driven by licensing royalties from the sales, by our licensees, of both console and PC gaming peripherals. We expect continued revenue growth from all of our businesses for the full year 2004 and therefore expect 2004 revenues will be higher than the \$20 million recorded in 2003."

Viegas concluded, "The year-over-year increase in our quarterly loss was due to higher litigation expense associated with the Sony lawsuit and higher sales and marketing costs. Our investment in sales and marketing is focused on increasing medical product sales and developing business in the mobile phone market."

Immersion will host a conference call with company management on Monday, July 26, 2004, at 5:00 p.m. EDT to discuss operating results for the second quarter ended June 30, 2004. A question and answer session will follow. To listen to the call, dial 800-374-2366, reservation number 4572185. The call will be archived and available for replay until July 30, 2004, by dialing 800-642-1687, reservation number 4572185. The call will also be simulcast on the Internet through Immersion Corporation's Web site, <http://www.immersion.com>. An audio replay of the call will be archived and available at <http://www.immersion.com> for replay until July 26, 2005.

About Immersion (www.immersion.com)

Founded in 1993, Immersion Corporation is a recognized leader in developing, licensing and marketing digital touch technology and products. Bringing value to markets where man-machine interaction needs to be made more compelling, safer, or productive, Immersion helps its partners broaden market reach by making the use of touch feedback as critical a user experience as sight and sound. Immersion's technology is deployed across personal computing, entertainment, medical training, automotive, and three-dimensional simulation markets. Immersion and its wholly-owned subsidiaries hold more than 230 issued patents worldwide.

Forward-Looking Statements

This press release contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of Immersion Corporation and its consolidated subsidiaries to differ materially from those expressed or implied by such forward-looking statements.

All statements, other than the statements of historical fact, are statements that may be deemed forward-looking statements, including any projections of earnings, revenues, or other financial matters; any statements of the plans, strategies, and objectives of management for future operations; proposed products or services; any statements regarding future economic conditions or performance; and statements of belief or assumptions underlying any of the foregoing. Immersion's actual results might differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with Immersion's business which include, but are not limited to, delay in or failure to achieve commercial demand for Immersion's expanded technology offerings or a delay in or failure to achieve the acceptance of force feedback as a critical user experience in new and existing markets for our business segments.

For a more detailed discussion of these factors, and other factors that could cause the Company's actual results to vary

materially, interested parties should review the risk factors listed in the Company's most current Form 10-Q, which is on file with the U.S. Securities and Exchange Commission. The forward-looking statements in this press release reflect the Company's beliefs and predictions as of the date of this release. The Company disclaims any obligation to update these forward-looking statements as a result of financial, business, or any other developments occurring after the date of this release.

The Immersion logo is a trademark of Immersion Corporation. All other trademarks are the property of their respective owners.

Immersion Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Royalty and license	\$ 1,899	\$ 804	\$ 3,730	\$ 1,637
Product sales	2,879	2,465	5,323	4,613
Development contracts and other	736	873	1,816	1,628
	5,514	4,142	10,869	7,878
Costs and expenses:				
Cost of product sales (exclusive of amortization intangibles shown separately below)	1,540	1,462	2,761	2,568
Sales and marketing	2,826	1,885	5,288	3,676
Research and development	2,077	1,739	3,966	3,428
General and administrative	3,589	2,860	8,467	5,016
Amortization of intangibles and deferred stock compensation	358	611	871	1,260
	10,390	8,557	21,353	15,948
Operating loss	(4,876)	(4,415)	(10,484)	(8,070)
Interest and other income (expense), net	30	(29)	(530)	(31)
	\$ (4,846)	\$ (4,444)	\$ (11,014)	\$ (8,101)
Net loss	\$ (4,846)	\$ (4,444)	\$ (11,014)	\$ (8,101)
	=====	=====	=====	=====
Basic and diluted net loss per share	\$ (0.21)	\$ (0.22)	\$ (0.50)	\$ (0.40)
	\$ (0.21)	\$ (0.22)	\$ (0.50)	\$ (0.40)
Shares used in calculating basic and diluted net loss per share	23,198	20,179	21,994	20,162
	23,198	20,179	21,994	20,162

Immersion Corporation
Condensed Consolidated Balance Sheets
(In thousands)

June 30, December 31,

	2004 (Unaudited)	2003 (1)
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ASSETS		
Cash and cash equivalents	\$18,214	\$ 21,738
Accounts receivable, net	2,728	4,927
Inventories	2,242	2,099
Prepaid expenses and other current assets	710	1,099
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Total current assets	23,894	29,863
Property and equipment, net	1,294	1,454
Intangibles and other assets, net	6,847	6,596
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TOTAL ASSETS	\$32,035	\$ 37,913
	=====	=====
LIABILITIES		
Accounts payable	\$ 2,673	\$ 1,752
Accrued compensation	1,263	864
Other accrued liabilities	1,429	2,066
Deferred revenue and customer advances	2,705	3,116
Current portion of long-term debt	21	33
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Total current liabilities	8,091	7,831
Long-term debt	11	16
Long-term liabilities and deferred revenue	7,351	4,235
Long-term customer advance from Microsoft	15,069	27,050
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Total liabilities	30,522	39,132
STOCKHOLDERS' EQUITY (DEFICIENCY)	1,513	(1,219)
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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIENCY)	\$32,035	\$ 37,913
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(1) Derived from the Company's annual audited financial statements.

SOURCE: Immersion Corporation

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