

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

	Three-Month Information		Twelve-Month Information	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
<b>Revenue:</b>				
Service	\$ 2,709	\$ 2,868	\$ 12,517	\$ 11,727
Subscription	1,430	1,843	6,377	6,203
License	877	1,152	3,295	7,728
Total revenue	<u>5,016</u>	<u>5,863</u>	<u>22,189</u>	<u>25,658</u>
<b>Cost of revenue:</b>				
Service	1,209	1,270	5,488	5,077
Subscription	685	860	3,113	3,020
License	90	83	346	334
Total cost of revenue	<u>1,984</u>	<u>2,213</u>	<u>8,947</u>	<u>8,431</u>
<b>Gross profit:</b>				
Service	1,500	1,598	7,029	6,650
Subscription	745	983	3,264	3,183
License	787	1,069	2,949	7,394
Total gross profit	<u>3,032</u>	<u>3,650</u>	<u>13,242</u>	<u>17,227</u>
<b>Gross margin:</b>				
Service	55%	56%	56%	57%
Subscription	52%	53%	51%	51%
License	90%	93%	89%	96%
Percentage of gross profit to total revenue	60%	62%	60%	67%
<b>Operating expenses:</b>				
Sales and marketing	2,778	2,044	9,275	7,974
Research, development and engineering	3,120	3,262	12,465	13,711
General and administrative	1,921	2,042	7,954	8,972
Intellectual property	500	506	1,525	1,793
Total operating expenses	<u>8,319</u>	<u>7,854</u>	<u>31,219</u>	<u>32,450</u>
<b>Operating loss</b>	(5,287)	(4,204)	(17,977)	(15,223)
<b>Other income, net</b>	<u>25</u>	<u>4</u>	<u>109</u>	<u>55</u>
<b>Loss before income taxes</b>	(5,262)	(4,200)	(17,868)	(15,168)
<b>Provision for income taxes</b>	(41)	(4,969)	(66)	(652)
<b>Net loss</b>	<u>\$ (5,303)</u>	<u>\$ (9,169)</u>	<u>\$ (17,934)</u>	<u>\$ (15,820)</u>
<b>Earnings (loss) per common share:</b>				
<b>Loss per common share - basic</b>	\$ (0.62)	\$ (1.23)	\$ (2.19)	\$ (2.22)
<b>Loss per common share - diluted</b>	\$ (0.62)	\$ (1.23)	\$ (2.19)	\$ (2.22)
Weighted average common shares outstanding - basic	8,485	7,453	8,198	7,187
Weighted average common shares outstanding - diluted	8,485	7,453	8,198	7,187
<b>Cash dividends declared per common share:</b>	\$ -	\$ -	\$ -	\$ 0.22