

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

	Three-Month Information	
	March 31, 2017	March 31, 2016
Revenue:		
Service	\$ 3,696	\$ 3,250
Subscription	1,445	1,463
License	950	867
Total revenue	6,091	5,580
Cost of revenue:		
Service	1,635	1,432
Subscription	556	662
License	118	96
Total cost of revenue	2,309	2,190
Gross profit:		
Service	2,061	1,818
Subscription	889	801
License	832	771
Total gross profit	3,782	3,390
Gross margin:		
Service	56%	56%
Subscription	62%	55%
License	88%	89%
Percentage of gross profit to total revenue	62%	61%
Operating expenses:		
Sales and marketing	3,992	2,955
Research, development and engineering	3,459	3,305
General and administrative	2,385	2,170
Intellectual property	392	434
Total operating expenses	10,228	8,864
Operating loss	(6,446)	(5,474)
Other income, net	118	46
Loss before income taxes	(6,328)	(5,428)
Benefit (provision) for income taxes	110	(7)
Net loss	\$ (6,218)	\$ (5,435)
Earnings (loss) per common share:		
Loss per common share - basic	\$ (0.61)	\$ (0.64)
Loss per common share - diluted	\$ (0.61)	\$ (0.64)
Weighted average common shares outstanding - basic	10,161	8,533
Weighted average common shares outstanding - diluted	10,161	8,533

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 13,135	\$ 11,638
Marketable securities ⁽¹⁾	43,050	44,496
Trade accounts receivable, net	3,804	5,078
Other current assets	1,625	1,695
Total current assets	61,614	62,907
Marketable securities ⁽¹⁾	-	4,392
Property and equipment, net	3,767	3,570
Intangibles, net	6,399	6,422
Goodwill	1,114	1,114
Other assets	276	331
Total assets	\$ 73,170	\$ 78,736
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,398	\$ 1,523
Deferred revenue	2,448	2,923
Total current liabilities	3,846	4,446
Deferred rent and other long-term liabilities	1,066	956
Total liabilities	4,912	5,402
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	11	11
Additional paid-in capital	122,152	120,985
Accumulated deficit	(53,955)	(47,712)
Total shareholders' equity	68,258	73,334
Total liabilities and shareholders' equity	\$ 73,170	\$ 78,736

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$56,185 and \$60,526 at March 31, 2017 and December 31, 2016, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Three-Month Information	
	March 31, 2017	March 31, 2016
Cash flows from operating activities:		
Net loss	\$ (6,218)	\$ (5,435)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	299	339
Amortization and write-off of intangibles	257	290
Stock-based compensation	1,503	1,283
Changes in operating assets and liabilities:		
Trade accounts receivable	1,274	2,320
Other current assets	70	91
Other assets	55	24
Accounts payable and other accrued liabilities	128	(663)
Deferred revenue	(498)	(457)
Net cash used in operating activities	<u>(3,130)</u>	<u>(2,208)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(605)	(490)
Capitalized patent costs	(200)	(217)
Maturity of marketable securities	16,399	14,277
Purchase of marketable securities	(10,561)	(6,081)
Net cash provided by investing activities	<u>5,033</u>	<u>7,489</u>
Cash flows from financing activities:		
Exercise of stock options	177	145
Purchase of common stock	(583)	(520)
Net cash used in financing activities	<u>(406)</u>	<u>(375)</u>
Net increase in cash and cash equivalents ⁽²⁾	<u>\$ 1,497</u>	<u>\$ 4,906</u>
Cash, cash equivalents and marketable securities at beginning of period	60,526	39,186
Cash, cash equivalents and marketable securities at end of period	56,185	35,896
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (4,341)</u>	<u>\$ (3,290)</u>