

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

	Three-Month Information		Twelve-Month Information	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue:				
Service	\$ 3,001	\$ 3,017	\$ 12,936	\$ 12,667
Subscription	1,348	1,434	5,519	5,808
License	509	729	6,758	3,318
Total revenue	<u>4,858</u>	<u>5,180</u>	<u>25,213</u>	<u>21,793</u>
Cost of revenue:				
Service	1,361	1,385	5,792	5,673
Subscription	563	554	2,264	2,410
License	133	112	502	414
Total cost of revenue	<u>2,057</u>	<u>2,051</u>	<u>8,558</u>	<u>8,497</u>
Gross profit:				
Service	1,640	1,632	7,144	6,994
Subscription	785	880	3,255	3,398
License	376	617	6,256	2,904
Total gross profit	<u>2,801</u>	<u>3,129</u>	<u>16,655</u>	<u>13,296</u>
Gross margin:				
Service	55%	54%	55%	55%
Subscription	58%	61%	59%	59%
License	74%	85%	93%	88%
Percentage of gross profit to total revenue	58%	60%	66%	61%
Operating expenses:				
Sales and marketing	4,572	3,132	16,636	11,888
Research, development and engineering	3,932	3,419	15,435	13,394
General and administrative	2,614	2,113	9,680	8,298
Intellectual property	345	346	1,469	1,636
Total operating expenses	<u>11,463</u>	<u>9,010</u>	<u>43,220</u>	<u>35,216</u>
Operating loss	(8,662)	(5,881)	(26,565)	(21,920)
Other income, net	180	101	588	258
Loss before income taxes	(8,482)	(5,780)	(25,977)	(21,662)
Benefit (provision) for income taxes	112	24	206	(10)
Net loss	<u>\$ (8,370)</u>	<u>\$ (5,756)</u>	<u>\$ (25,771)</u>	<u>\$ (21,672)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.76)	\$ (0.57)	\$ (2.44)	\$ (2.36)
Loss per common share - diluted	\$ (0.76)	\$ (0.57)	\$ (2.44)	\$ (2.36)
Weighted average common shares outstanding - basic	11,046	10,111	10,571	9,188
Weighted average common shares outstanding - diluted	11,046	10,111	10,571	9,188

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

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 40,823	\$ 11,638
Marketable securities ⁽¹⁾	26,915	44,496
Trade accounts receivable, net	6,404	5,078
Other current assets	2,171	1,695
Total current assets	76,313	62,907
Marketable securities ⁽¹⁾	-	4,392
Property and equipment, net	4,236	3,570
Intangibles, net	6,381	6,422
Goodwill	1,114	1,114
Other assets	326	331
Total assets	\$ 88,370	\$ 78,736
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,914	\$ 1,523
Deferred revenue	3,124	2,923
Total current liabilities	5,038	4,446
Deferred rent and other long-term liabilities	985	956
Total liabilities	6,023	5,402
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	12	11
Additional paid-in capital	155,793	120,985
Accumulated deficit	(73,508)	(47,712)
Total shareholders' equity	82,347	73,334
Total liabilities and shareholders' equity	\$ 88,370	\$ 78,736

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$67,738 and \$60,526 at December 31, 2017 and December 31, 2016, respectively.

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

	Twelve-Month Information	
	December 31, 2017	December 31, 2016
Cash flows from operating activities:		
Net loss	\$ (25,771)	\$ (21,672)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,430	1,336
Amortization and write-off of intangibles	996	1,121
Stock-based compensation	6,757	5,553
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,326)	(462)
Other current assets	(476)	(208)
Other assets	5	7
Accounts payable and other accrued liabilities	585	637
Deferred revenue	189	(176)
Net cash used in operating activities	<u>(17,611)</u>	<u>(13,864)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,188)	(1,837)
Capitalized patent costs	(819)	(790)
Maturity of marketable securities	60,360	41,052
Purchase of marketable securities	<u>(38,387)</u>	<u>(53,914)</u>
Net cash provided by (used in) investing activities	18,966	(15,489)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	29,677	39,700
Exercise of stock options	1,183	668
Purchase of common stock	<u>(3,030)</u>	<u>(2,537)</u>
Net cash provided by financing activities	27,830	37,831
Net increase in cash and cash equivalents ⁽²⁾	<u>\$ 29,185</u>	<u>\$ 8,478</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	<u>67,738</u>	<u>60,526</u>
(2) Net increase in cash, cash equivalents and marketable securities	<u>\$ 7,212</u>	<u>\$ 21,340</u>