

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

	Three Month Information	
	March 31, 2018	March 31, 2017
Revenue:		
Service	\$ 3,507	\$ 3,696
Subscription	1,578	1,445
License	528	950
Total revenue	5,613	6,091
Cost of revenue:		
Service	1,563	1,635
Subscription	482	556
License	140	118
Total cost of revenue	2,185	2,309
Gross profit:		
Service	1,944	2,061
Subscription	1,096	889
License	388	832
Total gross profit	3,428	3,782
Gross margin:		
Service	55%	56%
Subscription	69%	62%
License	73%	88%
Percentage of gross profit to total revenue	61%	62%
Operating expenses:		
Sales and marketing	4,887	3,992
Research, development and engineering	3,947	3,459
General and administrative	2,632	2,385
Intellectual property	315	392
Total operating expenses	11,781	10,228
Operating loss	(8,353)	(6,446)
Other income, net	252	118
Loss before income taxes	(8,101)	(6,328)
Benefit (provision) for income taxes	(11)	110
Net loss	\$ (8,112)	\$ (6,218)
Earnings (loss) per common share:		
Loss per common share - basic	\$ (0.72)	\$ (0.61)
Loss per common share - diluted	\$ (0.72)	\$ (0.61)
Weighted average common shares outstanding - basic	11,266	10,161
Weighted average common shares outstanding - diluted	11,266	10,161

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

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 48,449	\$ 40,823
Marketable securities ⁽¹⁾	15,219	26,915
Trade accounts receivable, net	3,790	6,404
Other current assets	1,888	2,171
Total current assets	69,346	76,313
Property and equipment, net	4,103	4,236
Intangibles, net	6,478	6,381
Goodwill	1,114	1,114
Other assets	324	326
Total assets	\$ 81,365	\$ 88,370
 Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,464	\$ 1,914
Deferred revenue	2,839	3,124
Total current liabilities	4,303	5,038
Deferred rent and other long-term liabilities	941	985
Total liabilities	5,244	6,023
 Commitments and contingencies		
 Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	157,540	155,793
Accumulated deficit	(81,481)	(73,508)
Total shareholders' equity	76,121	82,347
Total liabilities and shareholders' equity	\$ 81,365	\$ 88,370

(1) Aggregate cash, cash equivalents and marketable securities was \$63,668 and \$67,738 at March 31, 2018 and December 31, 2017, respectively.

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

	Three Month Information	
	March 31, 2018	March 31, 2017
Cash flows from operating activities:		
Net loss	\$ (8,112)	\$ (6,218)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	380	299
Amortization and write-off of intangibles	146	257
Stock-based compensation	1,671	1,503
Changes in operating assets and liabilities:		
Trade accounts receivable	2,614	1,274
Other current assets	304	70
Other assets	44	55
Accounts payable and other accrued liabilities	(420)	128
Deferred revenue	(219)	(498)
Net cash used in operating activities	<u>(3,592)</u>	<u>(3,130)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(302)	(605)
Capitalized patent costs	(208)	(200)
Maturity of marketable securities	18,657	16,399
Purchase of marketable securities	<u>(6,961)</u>	<u>(10,561)</u>
Net cash provided by investing activities	11,186	5,033
Cash flows from financing activities:		
Exercise of stock options	560	177
Purchase of common stock	<u>(528)</u>	<u>(583)</u>
Net cash provided by (used in) financing activities	32	(406)
Net increase in cash and cash equivalents ⁽²⁾	<u>\$ 7,626</u>	<u>\$ 1,497</u>
Cash, cash equivalents and marketable securities at beginning of period	67,738	60,526
Cash, cash equivalents and marketable securities at end of period	<u>63,668</u>	<u>56,185</u>
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (4,070)</u>	<u>\$ (4,341)</u>