

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

	Three Month Information		Six Month Information	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue:				
Service	\$ 3,336	\$ 3,253	\$ 6,843	\$ 6,949
Subscription	1,444	1,420	3,022	2,865
License	658	914	1,186	1,864
Total revenue	<u>5,438</u>	<u>5,587</u>	<u>11,051</u>	<u>11,678</u>
Cost of revenue:				
Service	1,548	1,464	3,111	3,099
Subscription	508	534	990	1,090
License	149	122	289	240
Total cost of revenue	<u>2,205</u>	<u>2,120</u>	<u>4,390</u>	<u>4,429</u>
Gross profit:				
Service	1,788	1,789	3,732	3,850
Subscription	936	886	2,032	1,775
License	509	792	897	1,624
Total gross profit	<u>3,233</u>	<u>3,467</u>	<u>6,661</u>	<u>7,249</u>
Gross margin:				
Service	54%	55%	55%	55%
Subscription	65%	62%	67%	62%
License	77%	87%	76%	87%
Percentage of gross profit to total revenue	59%	62%	60%	62%
Operating expenses:				
Sales and marketing	4,757	3,997	9,644	7,989
Research, development and engineering	4,058	3,936	8,005	7,395
General and administrative	2,416	2,239	5,048	4,624
Intellectual property	305	345	620	737
Total operating expenses	<u>11,536</u>	<u>10,517</u>	<u>23,317</u>	<u>20,745</u>
Operating loss	(8,303)	(7,050)	(16,656)	(13,496)
Other income, net	274	116	526	234
Loss before income taxes	(8,029)	(6,934)	(16,130)	(13,262)
Benefit (provision) for income taxes	(9)	(9)	(20)	101
Net loss	<u>\$ (8,038)</u>	<u>\$ (6,943)</u>	<u>\$ (16,150)</u>	<u>\$ (13,161)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.71)	\$ (0.68)	\$ (1.43)	\$ (1.29)
Loss per common share - diluted	\$ (0.71)	\$ (0.68)	\$ (1.43)	\$ (1.29)
Weighted average common shares outstanding - basic	11,337	10,266	11,302	10,214
Weighted average common shares outstanding - diluted	11,337	10,266	11,302	10,214

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

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 35,071	\$ 40,823
Marketable securities ⁽¹⁾	21,713	26,915
Trade accounts receivable, net	3,843	6,404
Other current assets	1,982	2,171
Total current assets	62,609	76,313
Property and equipment, net	4,068	4,236
Intangibles, net	6,558	6,381
Goodwill	1,114	1,114
Other assets	403	326
Total assets	\$ 74,752	\$ 88,370
 Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,695	\$ 1,914
Deferred revenue	2,410	3,124
Total current liabilities	4,105	5,038
Deferred rent and other long-term liabilities	944	985
Total liabilities	5,049	6,023
 Commitments and contingencies		
 Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	159,160	155,793
Accumulated deficit	(89,519)	(73,508)
Total shareholders' equity	69,703	82,347
Total liabilities and shareholders' equity	\$ 74,752	\$ 88,370

(1) Aggregate cash, cash equivalents and short-term marketable securities was \$56,784 and \$67,738 at June 30, 2018 and December 31, 2017, respectively.

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

	Six Month Information	
	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net loss	\$ (16,150)	\$ (13,161)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	764	664
Amortization and write-off of intangibles	287	486
Stock-based compensation	3,480	3,093
Changes in operating assets and liabilities:		
Trade accounts receivable	2,561	1,181
Other current assets	210	(163)
Other assets	(35)	50
Accounts payable and other accrued liabilities	(248)	336
Deferred revenue	(658)	(835)
Net cash used in operating activities	<u>(9,789)</u>	<u>(8,349)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(557)	(938)
Capitalized patent costs	(402)	(406)
Maturity of marketable securities	20,839	28,636
Purchase of marketable securities	(15,637)	(13,261)
Net cash provided by investing activities	<u>4,243</u>	<u>14,031</u>
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	-	17,702
Exercise of stock options	914	568
Purchase of common stock	(1,120)	(1,348)
Net cash provided by (used in) financing activities	<u>(206)</u>	<u>16,922</u>
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ (5,752)</u>	<u>\$ 22,604</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>56,784</u>	<u>67,755</u>
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (10,954)</u>	<u>\$ 7,229</u>