

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

	Three Month Information		Nine Month Information	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Revenue:</b>				
Service	\$ 2,787	\$ 2,986	\$ 9,630	\$ 9,935
Subscription	1,532	1,306	4,554	4,171
License	595	4,385	1,781	6,249
Total revenue	<u>4,914</u>	<u>8,677</u>	<u>15,965</u>	<u>20,355</u>
<b>Cost of revenue:</b>				
Service	1,301	1,332	4,412	4,431
Subscription	480	611	1,470	1,701
License	154	129	443	369
Total cost of revenue	<u>1,935</u>	<u>2,072</u>	<u>6,325</u>	<u>6,501</u>
<b>Gross profit:</b>				
Service	1,486	1,654	5,218	5,504
Subscription	1,052	695	3,084	2,470
License	441	4,256	1,338	5,880
Total gross profit	<u>2,979</u>	<u>6,605</u>	<u>9,640</u>	<u>13,854</u>
<b>Gross margin:</b>				
Service	53%	55%	54%	55%
Subscription	69%	53%	68%	59%
License	74%	97%	75%	94%
Percentage of gross profit to total revenue	61%	76%	60%	68%
<b>Operating expenses:</b>				
Sales and marketing	4,741	4,075	14,385	12,064
Research, development and engineering	4,069	4,108	12,074	11,503
General and administrative	2,447	2,442	7,495	7,066
Intellectual property	328	387	948	1,124
Total operating expenses	<u>11,585</u>	<u>11,012</u>	<u>34,902</u>	<u>31,757</u>
<b>Operating loss</b>	(8,606)	(4,407)	(25,262)	(17,903)
<b>Other income, net</b>	273	174	799	408
<b>Loss before income taxes</b>	(8,333)	(4,233)	(24,463)	(17,495)
<b>Benefit (provision) for income taxes</b>	(9)	(7)	(29)	94
<b>Net loss</b>	<u>\$ (8,342)</u>	<u>\$ (4,240)</u>	<u>\$ (24,492)</u>	<u>\$ (17,401)</u>
<b>Earnings (loss) per common share:</b>				
<b>Loss per common share - basic</b>	\$ (0.73)	\$ (0.39)	\$ (2.16)	\$ (1.67)
<b>Loss per common share - diluted</b>	\$ (0.73)	\$ (0.39)	\$ (2.16)	\$ (1.67)
Weighted average common shares outstanding - basic	11,394	10,797	11,333	10,410
Weighted average common shares outstanding - diluted	11,394	10,797	11,333	10,410

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

	September 30, 2018	December 31, 2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents <sup>(1)</sup>	\$ 33,775	\$ 40,823
Marketable securities <sup>(1)</sup>	15,640	26,915
Trade accounts receivable, net	2,957	6,404
Other current assets	2,453	2,171
<b>Total current assets</b>	54,825	76,313
Property and equipment, net	4,096	4,236
Intangibles, net	6,602	6,381
Goodwill	1,114	1,114
Other assets	516	326
<b>Total assets</b>	\$ 67,153	\$ 88,370
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 1,576	\$ 1,914
Deferred revenue	1,846	3,124
<b>Total current liabilities</b>	3,422	5,038
Deferred rent and other long-term liabilities	887	985
<b>Total liabilities</b>	4,309	6,023
 Commitments and contingencies		
 Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	160,643	155,793
Accumulated deficit	(97,861)	(73,508)
<b>Total shareholders' equity</b>	62,844	82,347
<b>Total liabilities and shareholders' equity</b>	\$ 67,153	\$ 88,370

(1) Aggregate cash, cash equivalents and short-term marketable securities was \$49,415 and \$67,738 at September 30, 2018 and December 31, 2017, respectively.

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

	Nine Month Information	
	September 30, 2018	September 30, 2017
Cash flows from operating activities:		
Net loss	\$ (24,492)	\$ (17,401)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,167	1,024
Amortization and write-off of intangibles	437	775
Stock-based compensation	5,345	4,872
Changes in operating assets and liabilities:		
Trade accounts receivable	3,447	(1,952)
Other current assets	(261)	(482)
Other assets	(148)	20
Accounts payable and other accrued liabilities	(374)	373
Deferred revenue	(1,225)	(1,247)
Net cash used in operating activities	<u>(16,104)</u>	<u>(14,018)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,023)	(1,424)
Capitalized patent costs	(571)	(625)
Maturity of marketable securities	30,179	41,231
Purchase of marketable securities	(18,904)	(27,631)
Net cash provided by investing activities	<u>9,681</u>	<u>11,551</u>
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	-	17,698
Exercise of stock options	1,064	793
Purchase of common stock	(1,689)	(2,063)
Net cash provided by (used in) financing activities	<u>(625)</u>	<u>16,428</u>
Net increase (decrease) in cash and cash equivalents <sup>(2)</sup>	<u>\$ (7,048)</u>	<u>\$ 13,961</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	49,415	60,887
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (18,323)</u>	<u>\$ 361</u>