

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

	Three-Month Information		Twelve-Month Information	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenue:				
Service	\$ 3,144	\$ 3,001	\$ 12,774	\$ 12,936
Subscription	1,487	1,348	6,041	5,519
License	596	509	2,377	6,758
Total revenue	5,227	4,858	21,192	25,213
Cost of revenue:				
Service	1,510	1,361	5,922	5,792
Subscription	437	563	1,907	2,264
License	154	133	597	502
Total cost of revenue	2,101	2,057	8,426	8,558
Gross profit:				
Service	1,634	1,640	6,852	7,144
Subscription	1,050	785	4,134	3,255
License	442	376	1,780	6,256
Total gross profit	3,126	2,801	12,766	16,655
Gross margin:				
Service	52%	55%	54%	55%
Subscription	71%	58%	68%	59%
License	74%	74%	75%	93%
Percentage of gross profit to total revenue	60%	58%	60%	66%
Operating expenses:				
Sales and marketing	4,755	4,572	19,140	16,636
Research, development and engineering	3,897	3,932	15,971	15,435
General and administrative	2,402	2,614	9,897	9,680
Intellectual property	334	345	1,282	1,469
Total operating expenses	11,388	11,463	46,290	43,220
Operating loss	(8,262)	(8,662)	(33,524)	(26,565)
Other income, net	258	180	1,057	588
Loss before income taxes	(8,004)	(8,482)	(32,467)	(25,977)
Benefit (provision) for income taxes	(10)	112	(39)	206
Net loss	\$ (8,014)	\$ (8,370)	\$ (32,506)	\$ (25,771)
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.70)	\$ (0.76)	\$ (2.86)	\$ (2.44)
Loss per common share - diluted	\$ (0.70)	\$ (0.76)	\$ (2.86)	\$ (2.44)
Weighted average common shares outstanding - basic	11,443	11,046	11,360	10,571
Weighted average common shares outstanding - diluted	11,443	11,046	11,360	10,571

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

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 27,278	\$ 40,823
Marketable securities ⁽¹⁾	16,378	26,915
Trade accounts receivable, net	3,888	6,404
Other current assets	2,100	2,171
Total current assets	49,644	76,313
Property and equipment, net	3,955	4,236
Intangibles, net	6,649	6,381
Goodwill	1,114	1,114
Other assets	425	326
Total assets	\$ 61,787	\$ 88,370
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,092	\$ 1,914
Deferred revenue	3,226	3,124
Total current liabilities	4,318	5,038
Deferred rent and other long-term liabilities	854	985
Total liabilities	5,172	6,023
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	162,428	155,793
Accumulated deficit	(105,875)	(73,508)
Total shareholders' equity	56,615	82,347
Total liabilities and shareholders' equity	\$ 61,787	\$ 88,370

(1) Aggregate cash, cash equivalents, short-term marketable securities was \$43,656 and \$67,738 at December 31, 2018 and 2017, respectively.

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

	Twelve-Month Information	
	December 31, 2018	December 31, 2017
Cash flows from operating activities:		
Net loss	\$ (32,506)	\$ (25,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,554	1,430
Amortization and write-off of intangibles	589	996
Stock-based compensation	7,298	6,757
Changes in operating assets and liabilities:		
Trade accounts receivable	2,516	(1,326)
Other current assets	92	(476)
Other assets	(57)	5
Accounts payable and other accrued liabilities	(878)	585
Deferred revenue	182	189
Net cash used in operating activities	<u>(21,210)</u>	<u>(17,611)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,292)	(2,188)
Capitalized patent costs	(747)	(819)
Maturity of marketable securities	34,558	60,360
Purchase of marketable securities	<u>(24,021)</u>	<u>(38,387)</u>
Net cash provided by investing activities	8,498	18,966
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	-	29,677
Exercise of stock options	1,256	1,183
Purchase of common stock	<u>(2,089)</u>	<u>(3,030)</u>
Net cash provided by (used in) financing activities	(833)	27,830
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ (13,545)</u>	<u>\$ 29,185</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	43,656	67,738
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (24,082)</u>	<u>\$ 7,212</u>