

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

	Three-Month Information	
	March 31, 2019	March 31, 2018
<b>Revenue:</b>		
Service	\$ 3,635	\$ 3,507
Subscription	1,563	1,578
License	462	528
Total revenue	5,660	5,613
<b>Cost of revenue:</b>		
Service	1,531	1,563
Subscription	445	482
License	158	140
Total cost of revenue	2,134	2,185
<b>Gross profit:</b>		
Service	2,104	1,944
Subscription	1,118	1,096
License	304	388
Total gross profit	3,526	3,428
<b>Gross margin:</b>		
Service	58%	55%
Subscription	72%	69%
License	66%	73%
Percentage of gross profit to total revenue	62%	61%
<b>Operating expenses:</b>		
Sales and marketing	4,950	4,887
Research, development and engineering	4,038	3,947
General and administrative	2,852	2,632
Intellectual property	358	315
Total operating expenses	12,198	11,781
<b>Operating loss</b>	(8,672)	(8,353)
<b>Other income, net</b>	237	252
<b>Loss before income taxes</b>	(8,435)	(8,101)
<b>Provision for income taxes</b>	(28)	(11)
<b>Net loss</b>	\$ (8,463)	\$ (8,112)
<b>Earnings (loss) per common share:</b>		
<b>Loss per common share - basic</b>	\$ (0.74)	\$ (0.72)
<b>Loss per common share - diluted</b>	\$ (0.74)	\$ (0.72)
Weighted average common shares outstanding - basic	11,487	11,266
Weighted average common shares outstanding - diluted	11,487	11,266

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

	March 31, 2019	December 31, 2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents <sup>(1)</sup>	\$ 24,275	\$ 27,278
Marketable securities <sup>(1)</sup>	13,193	16,378
Trade accounts receivable, net	3,727	3,888
Other current assets	2,026	2,100
<b>Total current assets</b>	43,221	49,644
Property and equipment, net	3,808	3,955
Intangibles, net	6,649	6,649
Goodwill	1,114	1,114
Other assets	3,167	425
<b>Total assets</b>	\$ 57,959	\$ 61,787
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 2,337	\$ 1,092
Deferred revenue	2,700	3,226
<b>Total current liabilities</b>	5,037	4,318
Lease liability and other long-term liabilities	3,079	854
<b>Total liabilities</b>	8,116	5,172
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	164,119	162,428
Accumulated deficit	(114,338)	(105,875)
<b>Total shareholders' equity</b>	49,843	56,615
<b>Total liabilities and shareholders' equity</b>	\$ 57,959	\$ 61,787

(1) Aggregate cash, cash equivalents, short-term marketable securities was \$37,468 and \$43,656 at March 31, 2019 and December 31, 2018, respectively.

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

	Three-Month Information	
	March 31, 2019	March 31, 2018
Cash flows from operating activities:		
Net loss	\$ (8,463)	\$ (8,112)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	357	380
Amortization and write-off of intangibles	180	146
Stock-based compensation	2,037	1,671
Changes in operating assets and liabilities:		
Trade accounts receivable	161	2,614
Other current assets	74	304
Other assets	(33)	44
Accounts payable and other accrued liabilities	800	(386)
Deferred revenue	(393)	(219)
Lease liability and other long-term liabilities	(174)	(34)
Net cash used in operating activities	<u>(5,454)</u>	<u>(3,592)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(194)	(302)
Capitalized patent costs	(153)	(208)
Maturity of marketable securities	6,744	18,657
Purchase of marketable securities	(3,559)	(6,961)
Net cash provided by investing activities	<u>2,838</u>	<u>11,186</u>
Cash flows from financing activities:		
Exercise of stock options	99	560
Purchase of common stock	(486)	(528)
Net cash provided by (used in) financing activities	<u>(387)</u>	<u>32</u>
Net increase (decrease) in cash and cash equivalents <sup>(2)</sup>	<u>\$ (3,003)</u>	<u>\$ 7,626</u>
Cash, cash equivalents and marketable securities at beginning of period	43,656	67,738
Cash, cash equivalents and marketable securities at end of period	37,468	63,668
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (6,188)</u>	<u>\$ (4,070)</u>