

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

	Three Month Information		Six Month Information	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Revenue:</b>				
Service	\$ 3,529	\$ 3,336	\$ 7,164	\$ 6,843
Subscription	2,088	1,444	3,651	3,022
License	563	658	1,025	1,186
Total revenue	<u>6,180</u>	<u>5,438</u>	<u>11,840</u>	<u>11,051</u>
<b>Cost of revenue:</b>				
Service	1,553	1,548	3,084	3,111
Subscription	465	508	910	990
License	167	149	325	289
Total cost of revenue	<u>2,185</u>	<u>2,205</u>	<u>4,319</u>	<u>4,390</u>
<b>Gross profit:</b>				
Service	1,976	1,788	4,080	3,732
Subscription	1,623	936	2,741	2,032
License	396	509	700	897
Total gross profit	<u>3,995</u>	<u>3,233</u>	<u>7,521</u>	<u>6,661</u>
<b>Gross margin:</b>				
Service	56%	54%	57%	55%
Subscription	78%	65%	75%	67%
License	70%	77%	68%	76%
Percentage of gross profit to total revenue	65%	59%	64%	60%
<b>Operating expenses:</b>				
Sales and marketing	5,087	4,757	10,037	9,644
Research, development and engineering	3,981	4,058	8,019	8,005
General and administrative	2,686	2,416	5,538	5,048
Intellectual property	393	305	751	620
Total operating expenses	<u>12,147</u>	<u>11,536</u>	<u>24,345</u>	<u>23,317</u>
<b>Operating loss</b>	(8,152)	(8,303)	(16,824)	(16,656)
<b>Other income, net</b>	<u>231</u>	<u>274</u>	<u>468</u>	<u>526</u>
<b>Loss before income taxes</b>	(7,921)	(8,029)	(16,356)	(16,130)
<b>Provision for income taxes</b>	(12)	(9)	(40)	(20)
<b>Net loss</b>	<u>\$ (7,933)</u>	<u>\$ (8,038)</u>	<u>\$ (16,396)</u>	<u>\$ (16,150)</u>
<b>Earnings (loss) per common share:</b>				
<b>Loss per common share - basic</b>	\$ (0.68)	\$ (0.71)	\$ (1.42)	\$ (1.43)
<b>Loss per common share - diluted</b>	\$ (0.68)	\$ (0.71)	\$ (1.42)	\$ (1.43)
Weighted average common shares outstanding - basic	11,665	11,337	11,576	11,302
Weighted average common shares outstanding - diluted	11,665	11,337	11,576	11,302

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents <sup>(1)</sup>	\$ 33,166	\$ 27,278
Marketable securities <sup>(1)</sup>	16,792	16,378
Trade accounts receivable, net	4,239	3,888
Other current assets	2,140	2,100
<b>Total current assets</b>	56,337	49,644
Property and equipment, net	3,632	3,955
Intangibles, net	6,699	6,649
Goodwill	1,114	1,114
Other assets	3,057	425
<b>Total assets</b>	\$ 70,839	\$ 61,787
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 2,660	\$ 1,092
Deferred revenue	2,824	3,226
<b>Total current liabilities</b>	5,484	4,318
Deferred rent and other long-term liabilities	2,953	854
<b>Total liabilities</b>	8,437	5,172
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	12	12
Additional paid-in capital	184,611	162,428
Accumulated deficit	(122,271)	(105,875)
<b>Total shareholders' equity</b>	62,402	56,615
<b>Total liabilities and shareholders' equity</b>	\$ 70,839	\$ 61,787

(1) Aggregate cash, cash equivalents and short-term marketable securities was \$49,958 and \$43,656 at June 30, 2019 and December 31, 2018, respectively.

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

	Six Month Information	
	June 30, 2019	June 30, 2018
Cash flows from operating activities:		
Net loss	\$ (16,396)	\$ (16,150)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	747	764
Amortization and write-off of intangibles	372	287
Stock-based compensation	4,053	3,480
Changes in operating assets and liabilities:		
Trade accounts receivable	(351)	2,561
Other current assets	(40)	210
Other assets	77	(35)
Accounts payable and other accrued liabilities	1,132	(227)
Deferred revenue	(244)	(658)
Lease liability and other long-term liabilities	(325)	(21)
Net cash used in operating activities	<u>(10,975)</u>	<u>(9,789)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(404)	(557)
Capitalized patent costs	(359)	(402)
Maturity of marketable securities	14,671	20,839
Purchase of marketable securities	<u>(15,085)</u>	<u>(15,637)</u>
Net cash provided by (used in) investing activities	(1,177)	4,243
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	19,615	-
Exercise of stock options	293	914
Purchase of common stock	<u>(1,868)</u>	<u>(1,120)</u>
Net cash provided by (used in) financing activities	18,040	(206)
Net increase (decrease) in cash and cash equivalents <sup>(2)</sup>	<u>\$ 5,888</u>	<u>\$ (5,752)</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	49,958	56,784
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ 6,302</u>	<u>\$ (10,954)</u>