

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

	Three-Month Information		Nine-Month Information	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>Revenue:</b>				
Service	\$ 3,072	\$ 3,155	\$ 9,808	\$ 8,859
Subscription	1,561	1,452	4,947	4,360
License	753	2,320	2,418	6,576
Total revenue	<u>5,386</u>	<u>6,927</u>	<u>17,173</u>	<u>19,795</u>
<b>Cost of revenue:</b>				
Service	1,204	1,224	4,279	3,807
Subscription	808	812	2,428	2,160
License	86	84	256	250
Total cost of revenue	<u>2,098</u>	<u>2,120</u>	<u>6,963</u>	<u>6,217</u>
<b>Gross profit:</b>				
Service	1,868	1,931	5,529	5,052
Subscription	753	640	2,519	2,200
License	667	2,236	2,162	6,326
Total gross profit	<u>3,288</u>	<u>4,807</u>	<u>10,210</u>	<u>13,578</u>
<b>Gross margin:</b>				
Service	61%	61%	56%	57%
Subscription	48%	44%	51%	50%
License	89%	96%	89%	96%
Percentage of gross profit to total revenue	61%	69%	59%	69%
<b>Operating expenses:</b>				
Sales and marketing	2,309	1,999	6,497	5,930
Research, development and engineering	3,236	3,499	9,345	10,449
General and administrative	1,847	2,183	6,033	6,929
Intellectual property	367	366	1,025	1,287
Total operating expenses	<u>7,759</u>	<u>8,047</u>	<u>22,900</u>	<u>24,595</u>
<b>Operating loss</b>	(4,471)	(3,240)	(12,690)	(11,017)
<b>Other income, net</b>	<u>29</u>	<u>3</u>	<u>84</u>	<u>50</u>
<b>Loss before income taxes</b>	(4,442)	(3,237)	(12,606)	(10,967)
<b>(Provision) benefit for income taxes</b>	(27)	1,252	(25)	4,316
<b>Net loss</b>	<u>\$ (4,469)</u>	<u>\$ (1,985)</u>	<u>\$ (12,631)</u>	<u>\$ (6,651)</u>
<b>Earnings (loss) per common share:</b>				
<b>Loss per common share - basic</b>	\$ (0.54)	\$ (0.28)	\$ (1.56)	\$ (0.95)
<b>Loss per common share - diluted</b>	\$ (0.54)	\$ (0.28)	\$ (1.56)	\$ (0.95)
Weighted average common shares outstanding - basic	8,309	7,176	8,101	7,097
Weighted average common shares outstanding - diluted	8,309	7,176	8,101	7,097
<b>Cash dividends declared per common share:</b>	\$ -	\$ -	\$ -	\$ 0.22