

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

| | Three Month Information | | Nine Month Information | |
|--|-------------------------|-----------------------|------------------------|-----------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue: | | | | |
| Service | \$ 3,252 | \$ 3,072 | \$ 9,650 | \$ 9,808 |
| Subscription | 1,417 | 1,561 | 4,374 | 4,947 |
| License | 907 | 753 | 2,589 | 2,418 |
| Total revenue | <u>5,576</u> | <u>5,386</u> | <u>16,613</u> | <u>17,173</u> |
| Cost of revenue: | | | | |
| Service | 1,455 | 1,204 | 4,288 | 4,279 |
| Subscription | 600 | 808 | 1,856 | 2,428 |
| License | 107 | 86 | 302 | 256 |
| Total cost of revenue | <u>2,162</u> | <u>2,098</u> | <u>6,446</u> | <u>6,963</u> |
| Gross profit: | | | | |
| Service | 1,797 | 1,868 | 5,362 | 5,529 |
| Subscription | 817 | 753 | 2,518 | 2,519 |
| License | 800 | 667 | 2,287 | 2,162 |
| Total gross profit | <u>3,414</u> | <u>3,288</u> | <u>10,167</u> | <u>10,210</u> |
| Gross margin: | | | | |
| Service | 55% | 61% | 56% | 56% |
| Subscription | 58% | 48% | 58% | 51% |
| License | 88% | 89% | 88% | 89% |
| Percentage of gross profit to total revenue | 61% | 61% | 61% | 59% |
| Operating expenses: | | | | |
| Sales and marketing | 2,945 | 2,309 | 8,756 | 6,497 |
| Research, development and engineering | 3,291 | 3,236 | 9,975 | 9,345 |
| General and administrative | 2,039 | 1,847 | 6,185 | 6,033 |
| Intellectual property | 394 | 367 | 1,290 | 1,025 |
| Total operating expenses | <u>8,669</u> | <u>7,759</u> | <u>26,206</u> | <u>22,900</u> |
| Operating loss | (5,255) | (4,471) | (16,039) | (12,690) |
| Other income, net | <u>69</u> | <u>29</u> | <u>157</u> | <u>84</u> |
| Loss before income taxes | (5,186) | (4,442) | (15,882) | (12,606) |
| Provision for income taxes | (12) | (27) | (34) | (25) |
| Net loss | <u>\$ (5,198)</u> | <u>\$ (4,469)</u> | <u>\$ (15,916)</u> | <u>\$ (12,631)</u> |
| Earnings (loss) per common share: | | | | |
| Loss per common share - basic | \$ (0.55) | \$ (0.54) | \$ (1.79) | \$ (1.56) |
| Loss per common share - diluted | \$ (0.55) | \$ (0.54) | \$ (1.79) | \$ (1.56) |
| Weighted average common shares outstanding - basic | 9,506 | 8,309 | 8,878 | 8,101 |
| Weighted average common shares outstanding - diluted | 9,506 | 8,309 | 8,878 | 8,101 |