

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

	Three-Month Information	
	March 31, 2013	March 31, 2012
Cash flows from operating activities:		
Net income	\$ 971	\$ 4,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	158	143
Amortization and write-off of intangibles	299	85
Gain on reversal of contingent merger consideration	(190)	-
Stock-based compensation	1,092	1,356
Net loss from joint ventures	-	1,107
Deferred income taxes	(112)	603
Tax benefit from stock-based awards	-	1,443
Excess tax benefit from stock-based awards	-	(1,335)
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(228)	1,032
Other current assets	(44)	166
Other assets	1	83
Accounts payable and other accrued liabilities	(213)	(27)
Income taxes payable	778	1,060
Deferred revenue	832	(83)
Net cash provided by operating activities	<u>3,344</u>	<u>10,632</u>
Cash flows from investing activities:		
Purchase of property and equipment	(86)	(148)
Capitalized patent costs and purchased intellectual property	(228)	(465)
Sale or maturity of marketable securities	23,116	22,993
Purchase of marketable securities	(21,933)	(28,492)
Net cash provided by (used in) investing activities	<u>869</u>	<u>(6,112)</u>
Cash flows from financing activities:		
Issuance of common stock	-	72
Purchase of common stock	(648)	(799)
Cash dividends paid	(801)	-
Excess tax benefit from stock-based awards	-	1,335
Net cash provided by (used in) financing activities	<u>(1,449)</u>	<u>608</u>
Net increase in cash and cash equivalents <sup>(2)</sup>	<u>\$ 2,764</u>	<u>\$ 5,128</u>
Cash equivalents and marketable securities at beginning of period	39,056	33,378
Cash equivalents and marketable securities at end of period	40,637	44,005
(2) Net increase in cash, cash equivalents and marketable securities	<u>\$ 1,581</u>	<u>\$ 10,627</u>