

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

	Three-Month Information		Six-Month Information	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Cash flows from operating activities:				
Net income	\$ 602	\$ 1,216	\$ 1,573	\$ 6,215
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of property and equipment	162	149	320	292
Amortization and write-off of intangibles	303	69	602	154
Gain on reversal of contingent merger consideration	-	-	(190)	-
Stock-based compensation	1,077	1,401	2,169	2,757
Net loss from joint ventures	-	-	-	1,107
Deferred income taxes	1,315	(541)	1,406	62
Tax benefit from stock-based awards	203	450	-	1,893
Excess tax benefit from stock-based awards	-	(203)	-	(1,538)
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(75)	(73)	(303)	959
Other current assets	(227)	(34)	(271)	132
Other assets	(47)	58	(46)	141
Accounts payable and other accrued liabilities	441	(264)	228	(291)
Income taxes payable	(754)	(46)	24	1,014
Deferred revenue	(195)	(244)	637	(327)
Net cash provided by operating activities	<u>2,805</u>	<u>1,938</u>	<u>6,149</u>	<u>12,570</u>
Cash flows from investing activities:				
Purchase of property and equipment	(189)	(106)	(275)	(254)
Capitalized patent costs and purchased intellectual property	(278)	(192)	(506)	(657)
Investment in joint ventures, net	-	(692)	-	(692)
Sale or maturity of marketable securities	12,358	46,143	35,474	69,136
Purchase of marketable securities	(15,127)	(46,732)	(37,060)	(75,224)
Net cash used in investing activities	<u>(3,236)</u>	<u>(1,579)</u>	<u>(2,367)</u>	<u>(7,691)</u>
Cash flows from financing activities:				
Issuance of common stock	-	531	-	603
Purchase of common stock	(94)	(1,388)	(742)	(2,187)
Cash dividends paid	(800)	(779)	(1,601)	(779)
Excess tax benefit from stock-based awards	-	203	-	1,538
Net cash used in financing activities	<u>(894)</u>	<u>(1,433)</u>	<u>(2,343)</u>	<u>(825)</u>
Net (decrease) increase in cash and cash equivalents ⁽²⁾	<u>\$ (1,325)</u>	<u>\$ (1,074)</u>	<u>\$ 1,439</u>	<u>\$ 4,054</u>
Cash equivalents and marketable securities at beginning of period	40,637	44,005	39,056	33,378
Cash equivalents and marketable securities at end of period	<u>42,081</u>	<u>43,520</u>	<u>42,081</u>	<u>43,520</u>
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ 1,444</u>	<u>\$ (485)</u>	<u>\$ 3,025</u>	<u>\$ 10,142</u>