

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

	Three-Month Information		Nine-Month Information	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Cash flows from operating activities:				
Net income (loss)	\$ (795)	\$ 1,003	\$ 778	\$ 7,218
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property and equipment	193	152	513	444
Amortization and write-off of intangibles	329	59	931	213
Gain on reversal of contingent merger consideration	-	-	(190)	-
Stock-based compensation	1,050	1,395	3,219	4,152
Net loss from joint ventures	-	-	-	1,107
Deferred income taxes	(1,052)	(139)	354	(77)
Tax benefit from stock-based awards	-	492	-	2,385
Excess tax benefit from stock-based awards	-	(263)	-	(1,801)
Increase in allowance for doubtful accounts	19	-	22	-
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(617)	(1,087)	(923)	(128)
Other current assets	(306)	(177)	(577)	(45)
Other assets	(53)	26	(99)	167
Accounts payable and other accrued liabilities	58	172	286	(119)
Income taxes payable	64	(139)	88	875
Deferred revenue	(374)	(185)	263	(512)
Net cash provided by (used in) operating activities	<u>(1,484)</u>	<u>1,309</u>	<u>4,665</u>	<u>13,879</u>
Cash flows from investing activities:				
Purchase of property and equipment	(1,257)	(122)	(1,532)	(376)
Capitalized patent costs and purchased intellectual property	(318)	(241)	(824)	(898)
Investment in joint ventures, net	-	-	-	(692)
Sale or maturity of marketable securities	11,870	48,544	47,344	117,680
Purchase of marketable securities	(11,126)	(46,908)	(48,186)	(122,132)
Net cash provided by (used in) investing activities	<u>(831)</u>	<u>1,273</u>	<u>(3,198)</u>	<u>(6,418)</u>
Cash flows from financing activities:				
Issuance of common stock	-	845	-	1,448
Purchase of common stock	(112)	(1,712)	(854)	(3,899)
Cash dividends paid	(799)	(782)	(2,400)	(1,561)
Excess tax benefit from stock-based awards	-	263	-	1,801
Net cash used in financing activities	<u>(911)</u>	<u>(1,386)</u>	<u>(3,254)</u>	<u>(2,211)</u>
Net increase (decrease) in cash and cash equivalents ⁽¹⁾	<u>\$ (3,226)</u>	<u>\$ 1,196</u>	<u>\$ (1,787)</u>	<u>\$ 5,250</u>
Cash equivalents and marketable securities at beginning of period	42,081	43,520	39,056	33,378
Cash equivalents and marketable securities at end of period	38,111	43,080	38,111	43,080
(1) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (3,970)</u>	<u>\$ (440)</u>	<u>\$ (945)</u>	<u>\$ 9,702</u>