

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

	Nine-Month Information	
	September 30, 2014	September 30, 2013
Cash flows from operating activities:		
Net income (loss)	\$ (6,651)	\$ 778
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	708	513
Amortization and write-off of intangibles	916	931
Change in allowance for doubtful accounts	(13)	22
Gain on reversal of contingent merger consideration	-	(190)
Stock-based compensation	4,085	3,219
Deferred income taxes	(2,874)	354
Changes in operating assets and liabilities:		
Trade accounts receivable, net	2,000	(923)
Other current assets	(1,559)	(577)
Other assets	160	(99)
Accounts payable and other accrued liabilities	(171)	286
Income taxes payable	(169)	88
Deferred revenue	(2,338)	263
Net cash provided by (used in) operating activities	<u>(5,906)</u>	<u>4,665</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,010)	(1,532)
Capitalized patent costs	(922)	(824)
Maturity of marketable securities	47,961	47,344
Purchase of marketable securities	(38,840)	(48,186)
Net cash provided by (used in) investing activities	<u>7,189</u>	<u>(3,198)</u>
Cash flows from financing activities:		
Issuance of common stock	1,319	-
Purchase of common stock	(1,931)	(854)
Cash dividends paid	(1,654)	(2,400)
Common stock issuance costs	(124)	-
Net cash used in financing activities	<u>(2,390)</u>	<u>(3,254)</u>
Net decrease in cash and cash equivalents <sup>(1)</sup>	<u>\$ (1,107)</u>	<u>\$ (1,787)</u>
Cash, cash equivalents and marketable securities at beginning of period	34,964	39,056
Cash, cash equivalents and marketable securities at end of period	<u>24,736</u>	<u>38,111</u>
(1) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (10,228)</u>	<u>\$ (945)</u>