

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

	Three-Month Information		Twelve-Month Information	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Cash flows from operating activities:				
Net income (loss)	\$ (1,285)	\$ 1,054	\$ (507)	\$ 8,272
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization of property and equipment	229	156	742	600
Amortization and write-off of intangibles	316	172	1,247	385
Gain on reversal of contingent merger consideration	-	-	(190)	-
Stock-based compensation	1,283	1,104	4,502	5,256
Net loss from joint ventures	-	-	-	1,107
Deferred income taxes	(1,069)	(207)	(715)	(284)
Tax benefit from stock-based awards	(855)	1,303	(855)	3,688
Excess tax benefit from stock-based awards	(201)	(1,243)	(201)	(3,044)
Increase in allowance for doubtful accounts	23	-	45	-
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(744)	(59)	(1,667)	(187)
Other current assets	235	264	(342)	219
Other assets	(305)	34	(404)	201
Accounts payable and other accrued liabilities	(250)	(984)	124	(228)
Deferred revenue	1,431	128	1,694	(384)
Net cash provided by (used in) operating activities	<u>(1,192)</u>	<u>1,722</u>	<u>3,473</u>	<u>15,601</u>
Cash flows from investing activities:				
Purchase of property and equipment	(112)	(194)	(1,644)	(570)
Capitalized patent costs and purchased intellectual property	(274)	(272)	(1,098)	(1,170)
Investment in joint ventures, net	-	-	-	(692)
Business acquisitions, net of cash acquired	-	(5,092)	-	(5,092)
Sale or maturity of marketable securities	8,283	26,534	55,627	144,214
Purchase of marketable securities	(6,404)	(24,312)	(54,590)	(146,444)
Net cash provided by (used in) investing activities	<u>1,493</u>	<u>(3,336)</u>	<u>(1,705)</u>	<u>(9,754)</u>
Cash flows from financing activities:				
Purchase of common stock	(968)	(649)	(1,822)	(3,100)
Cash dividends paid	(802)	(783)	(3,202)	(2,344)
Excess tax benefit from stock-based awards	201	1,243	201	3,044
Net cash used in financing activities	<u>(1,569)</u>	<u>(189)</u>	<u>(4,823)</u>	<u>(2,400)</u>
Net increase (decrease) in cash and cash equivalents <sup>(1)</sup>	<u>\$ (1,268)</u>	<u>\$ (1,803)</u>	<u>\$ (3,055)</u>	<u>\$ 3,447</u>
Cash equivalents and marketable securities at beginning of period	38,111	43,080	39,056	33,378
Cash equivalents and marketable securities at end of period	<u>34,964</u>	<u>39,056</u>	<u>34,964</u>	<u>39,056</u>
(1) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (3,147)</u>	<u>\$ (4,024)</u>	<u>\$ (4,092)</u>	<u>\$ 5,678</u>