

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

	Three-Month Information		Twelve-Month Information	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash flows from operating activities:				
Net income	\$ 453	\$ 2,754	\$ 5,656	\$ 4,174
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization, property and equipment	139	135	613	565
Amortization, intangibles	38	25	124	79
Stock-based compensation	1,178	781	4,216	3,068
Net loss from joint ventures	784	604	2,714	2,180
Deferred income tax benefit	(202)	-	(2,835)	-
Tax benefit from stock-based awards	274	-	1,066	-
Excess tax benefits from stock-based compensation	(274)	-	(1,066)	-
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(82)	(380)	(21)	89
Other current assets	109	(362)	240	(473)
Other assets, net	73	3	107	(32)
Accounts payable and other accrued liabilities	(741)	455	(668)	275
Deferred revenue	729	570	88	507
Net cash provided by operating activities	<u>2,478</u>	<u>4,585</u>	<u>10,234</u>	<u>10,432</u>
Cash flows from investing activities:				
Purchase of property and equipment	(66)	(545)	(678)	(781)
Capitalized patent costs	(168)	(103)	(693)	(914)
Investments in joint ventures	-	(700)	(2,100)	(2,800)
Sale or maturity of marketable securities	14,385	43,211	74,689	122,176
Purchase of marketable securities	(15,247)	(44,622)	(65,044)	(127,878)
Net cash provided by (used in) investing activities	<u>(1,096)</u>	<u>(2,759)</u>	<u>6,174</u>	<u>(10,197)</u>
Cash flows from financing activities:				
Issuance of common stock	96	3,037	1,651	3,045
Purchase of common stock	(452)	(5,784)	(22,046)	(5,824)
Excess tax benefit from stock-based awards	274	-	1,066	-
Net cash used in financing activities	<u>(82)</u>	<u>(2,747)</u>	<u>(19,329)</u>	<u>(2,779)</u>
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ 1,300</u>	<u>\$ (921)</u>	<u>\$ (2,921)</u>	<u>\$ (2,544)</u>
Cash equivalents and marketable securities at beginning of period	31,216	45,454	45,944	42,786
Cash equivalents and marketable securities at end of period	33,378	45,944	33,378	45,944
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ 2,162</u>	<u>\$ 490</u>	<u>\$ (12,566)</u>	<u>\$ 3,158</u>