Digimarc Corporation

Reconciliation of GAAP and Non-GAAP Financial Measures
Adjusted EBITDA
(in thousands)
(Unaudited)

	Three Month Information		Twelve Month Information	
	Successor	**Successor**	**Successor**	**Successor / Predecessor ***
	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Twelve Months Ended December 31, 2009	Twelve Months Ended December 31, 2008
Net income (loss)	$ (583)	$ (324)	$ (2,757)	$ 1,491
Adjustments:				
Provision for income taxes	11	10	23	21
Interest income, net	(83)	(266)	(519)	(1,052)
Depreciation and amortization	164	129	589	766
Stock compensation	666	532	2,444	1,445
Adjusted EBITDA	$ 175	$ 81	$ (220)	$ 2,671

* The financial information presented combines the periods through August 1, 2008, referred to as "carve-out" financial information from Old Digimarc's digital watermarking business, or predecessor, with the period August 2, 2008 through December 31, 2008 for Digimarc, or successor, to arrive at year-to-date totals for comparative purposes. The majority of the prior year operating results benefited from proportional allocations of various shared-services common costs of Old Digimarc.

About Adjusted EBIDTA

From time to time, we may refer to Adjusted EBITDA in our conference calls and discussions with analysts in connection with our historical financial results and our guidance for future periods. Adjusted EBITDA does not represent cash flows from operations as defined by generally accepted accounting principles (“GAAP”), is not a measure derived in accordance with GAAP and should not be considered by the reader as an alternative to net income (the most comparable GAAP financial measure to Adjusted EBITDA). The reconciliation of GAAP and Non-GAAP Financial Measures for the three- and twelve months ended December 31, 2009 and 2008 are included in the above table. Management of the Company believes that Adjusted EBITDA is helpful to investors as an indicator of the current financial performance of the Company and its capacity to fund capital expenditures and working capital requirements. Due to the Company’s use of stock-based employee compensation, the Company incurs significant non-cash charges for stock compensation expense that may not be indicative of our operating performance from a cash perspective. Therefore, the Company believes that providing the measure of Adjusted EBITDA will help investors better understand the Company’s underlying financial performance and ability to generate cash flow from operations.