

**Digital River, Inc.**

First Quarter Results

(Unaudited, in thousands)

Subject to reclassification

**Condensed Consolidated Balance Sheets**

	As of	
	March 31,	December 31,
	2009	2008
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 347,863	\$ 490,335
Short-term investments	7,000	10,000
Accounts receivable, net	61,411	53,216
Deferred income taxes	7,606	7,613
Prepaid expenses and other	19,299	42,522
Total current assets	443,179	603,686
Property and equipment, net	44,417	41,733
Goodwill	264,643	273,788
Intangible assets, net	29,380	32,222
Long-term investments	91,967	93,213
Deferred income taxes	22,686	24,824
Other assets	744	786
<b>Total assets</b>	<b>\$ 897,016</b>	<b>\$ 1,070,252</b>
<u>Liabilities and stockholders' equity</u>		
Current liabilities		
Convertible senior notes	\$ -	\$ 186,195
Accounts payable	202,603	184,361
Accrued payroll	11,979	14,841
Deferred revenue	15,530	13,651
Accrued acquisition liabilities	255	3,278
Other accrued liabilities	36,845	41,336
Total current liabilities	267,212	443,662
Non-current liabilities		
Convertible senior notes	8,805	8,805
Other liabilities	15,612	15,712
Total non-current liabilities	24,417	24,517
Total liabilities	291,629	468,179
Stockholders' equity		
Common stock	444	432
Treasury stock	(216,600)	(216,163)
Additional paid-in capital	622,630	623,778
Retained earnings	205,687	189,096
Accumulated other comprehensive (loss)/ income	(6,774)	4,930
Stockholders' equity	605,387	602,073
<b>Total liabilities and stockholders' equity</b>	<b>\$ 897,016</b>	<b>\$ 1,070,252</b>

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**Condensed Consolidated Statement of Income**

	Three months ended March 31,	
	2009	2008
Revenue	\$ 102,931	\$ 103,634
Costs and expenses:		
Direct cost of services	3,942	4,175
Network and infrastructure	10,313	10,188
Sales and marketing	38,447	39,730
Product research and development	12,335	12,670
General and administrative	9,129	10,244
Depreciation and amortization	3,844	3,834
Amortization of acquisition-related intangibles	2,003	2,176
Total costs and expenses	80,013	83,017
<b>Income from operations</b>	<b>22,918</b>	<b>20,617</b>
Interest income	1,189	6,246
Other expense, net	(1,348)	(749)
<b>Income before income tax expense</b>	<b>22,759</b>	<b>26,114</b>
Income tax expense	6,168	7,831
<b>Net income</b>	<b>\$ 16,591</b>	<b>\$ 18,283</b>
<b>Net income per share - basic</b>	<b>\$ 0.45</b>	<b>\$ 0.47</b>
<b>Net income per share - diluted</b>	<b>\$ 0.45</b>	<b>\$ 0.43</b>
Shares used in per share calculation - basic	36,706	38,528
Shares used in per share calculation - diluted	37,227	43,506

**Calculation of GAAP Diluted Net Income Per Share**

	Three months ended March 31,	
	2009	2008
GAAP net income	\$ 16,591	\$ 18,283
Add back debt interest expense and issuance cost amortization, net of tax benefit	21	434
<b>Adjusted net income for GAAP EPS calculation</b>	<b>\$ 16,612</b>	<b>\$ 18,717</b>
<b>Net income per share - diluted</b>	<b>\$ 0.45</b>	<b>\$ 0.43</b>
Shares used in per share calculation - diluted	37,227	43,506

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**Condensed Consolidated Statements of Cash Flows**

	<u>Three months ended March 31,</u>	
	<u>2009</u>	<u>2008</u>
<u>Operating Activities:</u>		
Net income	\$ 16,591	\$ 18,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of acquisition-related intangibles	2,003	2,176
Change in accounts receivable allowance, net of acquisitions	580	411
Depreciation and amortization	3,844	3,834
Stock-based compensation expense	3,711	3,031
Excess tax benefits from stock-based compensation	(96)	(412)
Deferred and other income taxes	1,555	5,345
Change in operating assets and liabilities (net of acquisitions):		
Accounts receivable	(10,607)	4,374
Prepaid and other assets	17,399	3,732
Accounts payable	23,129	4,798
Deferred revenue	2,191	1,248
Income tax payable	2,020	(7,357)
Other accrued liabilities	(7,729)	5,190
<b>Net cash provided by operating activities</b>	<b><u>54,591</u></b>	<b><u>44,653</u></b>
<u>Investing Activities:</u>		
Purchases of investments	(2,122)	(94,714)
Sales of investments	10,000	122,050
Cash paid for acquisitions, net of cash received	(3,017)	(16,481)
Purchases of equipment and capitalized software	(6,894)	(4,192)
<b>Net cash (used in)/provided by investing activities</b>	<b><u>(2,033)</u></b>	<b><u>6,663</u></b>
<u>Financing Activities:</u>		
Cash paid for convertible senior notes	(186,660)	-
Exercise of stock options	943	1,985
Repurchase of common stock	-	(137,858)
Repurchase of restricted stock to satisfy tax withholding obligation	(436)	(355)
Excess tax benefits from stock-based compensation	96	412
<b>Net cash used in financing activities</b>	<b><u>(186,057)</u></b>	<b><u>(135,816)</u></b>
Effect of exchange rate changes on cash	(8,973)	8,512
<b>Net decrease in cash and cash equivalents</b>	<b><u>(142,472)</u></b>	<b><u>(75,988)</u></b>
Cash and cash equivalents, beginning of period	490,335	381,788
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 347,863</u></b>	<b><u>\$ 305,800</u></b>
	<u>\$ 1,219</u>	<u>\$ 1,219</u>
Cash paid for interest on Convertible Senior Notes	<u>\$ 1,219</u>	<u>\$ 1,219</u>

**Digital River, Inc.**

## GAAP to non-GAAP Reconciliations

(Unaudited, in thousands, except per share amounts)

**Calculation of non-GAAP Diluted Net Income Per Share**

	Three months ended				Twelve months ended
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	December 31, 2008
GAAP pre-tax income	\$ 26,114	\$ 16,872	\$ 20,641	\$ 22,644	\$ 86,271
Add back: amortization of acquisition-related intangibles	2,176	2,170	2,001	2,044	8,391
Add back: stock-based compensation expense	3,031	3,507	3,623	2,387	12,548
Non-GAAP pre-tax income	31,321	22,549	26,265	27,075	107,210
Income tax expense @ 27%	8,457	6,088	7,092	7,310	28,947
<b>Non-GAAP net income</b>	<b>\$ 22,864</b>	<b>\$ 16,461</b>	<b>\$ 19,173</b>	<b>\$ 19,765</b>	<b>\$ 78,263</b>
<b>Non-GAAP net income per share - diluted</b>	<b>\$ 0.53</b>	<b>\$ 0.40</b>	<b>\$ 0.46</b>	<b>\$ 0.48</b>	<b>\$ 1.86</b>

Shares used in per share calculation - diluted	43,506	41,647	41,620	41,395	42,106
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	Three months ended
	March 31, 2009
GAAP pre-tax income	\$ 22,759
Add back: amortization of acquisition-related intangibles	2,003
Add back: stock-based compensation expense	3,711
Non-GAAP pre-tax income	28,473
Income tax expense @ 27%	7,688
<b>Non-GAAP net income</b>	<b>\$ 20,785</b>
<b>Non-GAAP net income per share - diluted</b>	<b>\$ 0.56</b>

Shares used in per share calculation - diluted	37,227
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**Breakdown of stock-based compensation expense**

	Three months ended
	March 31, 2009
Direct cost of services	\$ 169
Network and infrastructure	113
Sales and marketing	1,517
Product research and development	456
General and administrative	1,456
<b>Total</b>	<b>\$ 3,711</b>

**Non-GAAP Guidance Reconciliation**

	Q2 - 2009 Guidance	
	Low	High
Expected GAAP net income per share - diluted	\$ 0.27	\$ 0.30
Add back amortization of acquisition-related costs	0.05	0.05
Add back stock-based compensation expense	0.12	0.12
Tax variability	(0.05)	(0.05)
Expected non-GAAP diluted net income per share	<u>\$ 0.39</u>	<u>\$ 0.42</u>