

**Digital River, Inc.**

Fourth Quarter Results

(Unaudited, in thousands)

Subject to reclassification

**Condensed Consolidated Balance Sheets**

|   | As of             |                     |
|---|-------------------|---------------------|
|   | December 31,      | December 31,        |
|   | 2009              | 2008                |
| <u>Assets</u>                                     |                   |                     |
| Current assets                                    |                   |                     |
| Cash and cash equivalents                         | \$ 392,704        | \$ 490,335          |
| Short-term investments                            | 15,228            | 10,000              |
| Accounts receivable, net                          | 50,657            | 53,216              |
| Deferred income taxes                             | 9,901             | 7,613               |
| Prepaid expenses and other                        | 14,899            | 42,522              |
| Total current assets                              | 483,389           | 603,686             |
| Property and equipment, net                       | 54,343            | 41,733              |
| Goodwill  | 279,538           | 273,788             |
| Intangible assets, net                            | 25,605            | 32,222              |
| Long-term investments                             | 119,581           | 93,213              |
| Deferred income taxes                             | 22,416            | 24,824              |
| Other assets                                      | 770               | 786                 |
| <b>Total assets</b>                               | <b>\$ 985,642</b> | <b>\$ 1,070,252</b> |
| <u>Liabilities and stockholders' equity</u>       |                   |                     |
| Current liabilities                               |                   |                     |
| Convertible senior notes                          | \$ -              | \$ 186,195          |
| Accounts payable                                  | 192,301           | 184,361             |
| Accrued payroll                                   | 16,131            | 14,841              |
| Deferred revenue                                  | 17,879            | 13,651              |
| Accrued acquisition liabilities                   | 2,001             | 3,278               |
| Other accrued liabilities                         | 40,738            | 41,336              |
| Total current liabilities                         | 269,050           | 443,662             |
| Non-current liabilities                           |                   |                     |
| Convertible senior notes                          | 8,805             | 8,805               |
| Other liabilities                                 | 15,505            | 15,712              |
| Total non-current liabilities                     | 24,310            | 24,517              |
| Total liabilities                                 | 293,360           | 468,179             |
| Stockholders' equity                              |                   |                     |
| Common stock                                      | 449               | 432                 |
| Treasury stock                                    | (216,880)         | (216,163)           |
| Additional paid-in capital                        | 648,748           | 623,778             |
| Retained earnings                                 | 242,138           | 189,096             |
| Accumulated other comprehensive income            | 17,827            | 4,930               |
| Stockholders' equity                              | 692,282           | 602,073             |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 985,642</b> | <b>\$ 1,070,252</b> |

**Digital River, Inc.**

Fourth Quarter Results

(Unaudited, in thousands, except per share amounts)

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**Condensed Consolidated Statement of Income**

|   | Three months ended<br>December 31, |                  | Twelve months ended<br>December 31, |                  |
|---|------------------------------------|------------------|-------------------------------------|------------------|
|   | 2009                               | 2008             | 2009                                | 2008             |
| Revenue   | \$ 104,852                         | \$ 95,917        | \$ 403,766                          | \$ 394,226       |
| Costs and expenses (exclusive of depreciation and amortization expense shown separately below): |                                    |                  |                                     |                  |
| Direct cost of services   | 5,150                              | 3,860            | 17,625                              | 16,417           |
| Network and infrastructure  | 12,934                             | 9,904            | 45,996                              | 41,040           |
| Sales and marketing   | 41,766                             | 35,722           | 157,475                             | 150,118          |
| Product research and development  | 14,858                             | 12,447           | 54,463                              | 51,184           |
| General and administrative  | 9,427                              | 8,586            | 37,707                              | 39,525           |
| Depreciation and amortization   | 5,803                              | 4,142            | 19,438                              | 15,980           |
| Amortization of acquisition-related intangibles   | 1,842                              | 2,044            | 7,561                               | 8,391            |
| Total costs and expenses  | 91,780                             | 76,705           | 340,265                             | 322,655          |
| <b>Income from operations</b>   | <b>13,072</b>                      | <b>19,212</b>    | <b>63,501</b>                       | <b>71,571</b>    |
| Interest income   | 702                                | 2,962            | 3,210                               | 18,019           |
| Other income (expense), net   | 302                                | 470              | 293                                 | (3,319)          |
| <b>Income before income tax expense</b>   | <b>14,076</b>                      | <b>22,644</b>    | <b>67,004</b>                       | <b>86,271</b>    |
| Income tax expense  | 437                                | 6,185            | 13,962                              | 22,676           |
| <b>Net income</b>   | <b>\$ 13,639</b>                   | <b>\$ 16,459</b> | <b>\$ 53,042</b>                    | <b>\$ 63,595</b> |
| <b>Net income per share - basic</b>   | <b>\$ 0.37</b>                     | <b>\$ 0.45</b>   | <b>\$ 1.43</b>                      | <b>\$ 1.72</b>   |
| <b>Net income per share - diluted</b>   | <b>\$ 0.36</b>                     | <b>\$ 0.41</b>   | <b>\$ 1.41</b>                      | <b>\$ 1.55</b>   |
| Shares used in per share calculation - basic  | 37,241                             | 36,560           | 36,975                              | 37,016           |
| Shares used in per share calculation - diluted  | 38,026                             | 41,395           | 37,704                              | 42,106           |

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

|   | Three months ended<br>December 31, |                  | Twelve months ended<br>December 31, |                  |
|---|------------------------------------|------------------|-------------------------------------|------------------|
|   | 2009                               | 2008             | 2009                                | 2008             |
| GAAP net income   | \$ 13,639                          | \$ 16,459        | \$ 53,042                           | \$ 63,595        |
| Add back debt interest expense and issuance cost amortization, net of tax benefit | 21                                 | 435              | 84                                  | 1,739            |
| <b>Adjusted net income for GAAP EPS calculation</b>                               | <b>\$ 13,660</b>                   | <b>\$ 16,894</b> | <b>\$ 53,126</b>                    | <b>\$ 65,334</b> |
| <b>Net income per share - diluted</b>   | <b>\$ 0.36</b>                     | <b>\$ 0.41</b>   | <b>\$ 1.41</b>                      | <b>\$ 1.55</b>   |
| Shares used in per share calculation - diluted                                    | 38,026                             | 41,395           | 37,704                              | 42,106           |

**Digital River, Inc.**

Fourth Quarter Results  
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**Condensed Consolidated Statements of Cash Flows**

|   | <u>Twelve months ended December 31,</u> |                          |
|---|---|--------------------------|
|   | <u>2009</u>                             | <u>2008</u>              |
| <b><u>Operating Activities:</u></b>   |   |                          |
| Net income  | \$ 53,042                               | \$ 63,595                |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                          |
| Amortization of acquisition-related intangibles                                   | 7,561                                   | 8,391                    |
| Change in accounts receivable allowance, net of acquisitions                      | 232                                     | 434                      |
| Depreciation and amortization   | 19,438                                  | 15,980                   |
| Stock-based compensation expense  | 18,270                                  | 12,548                   |
| Excess tax benefits from stock-based compensation                                 | (690)                                   | (4,390)                  |
| Deferred and other income taxes   | (186)                                   | 4,971                    |
| Change in operating assets and liabilities (net of acquisitions):                 |   |                          |
| Accounts receivable   | 2,735                                   | 11,332                   |
| Prepaid and other assets  | 23,263                                  | (26,505)                 |
| Accounts payable  | 7,083                                   | 6,531                    |
| Deferred revenue  | 4,109                                   | 3,235                    |
| Income tax payable  | 3,314                                   | (5,366)                  |
| Other accrued liabilities   | (1,115)                                 | 4,478                    |
| <b>Net cash provided by operating activities</b>                                  | <b><u>137,056</u></b>                   | <b><u>95,234</u></b>     |
| <b><u>Investing Activities:</u></b>   |   |                          |
| Purchases of investments  | (21,922)                                | (480,917)                |
| Sales of investments  | 23,400                                  | 676,108                  |
| Cash paid for acquisitions, net of cash received                                  | (31,690)                                | (23,465)                 |
| Purchases of equipment and capitalized software                                   | (31,949)                                | (26,898)                 |
| <b>Net cash (used in)/provided by investing activities</b>                        | <b><u>(62,161)</u></b>                  | <b><u>144,828</u></b>    |
| <b><u>Financing Activities:</u></b>   |   |                          |
| Cash paid for convertible senior notes  | (186,660)                               | -                        |
| Exercise of stock options   | 10,050                                  | 7,171                    |
| Sales of common stock under employee stock purchase plan                          | 2,489                                   | 2,715                    |
| Repurchase of common stock  | -                                       | (137,858)                |
| Repurchase of restricted stock to satisfy tax withholding obligation              | (717)                                   | (598)                    |
| Excess tax benefits from stock-based compensation                                 | 690                                     | 4,390                    |
| <b>Net cash used in financing activities</b>                                      | <b><u>(174,148)</u></b>                 | <b><u>(124,180)</u></b>  |
| Effect of exchange rate changes on cash   | 1,622                                   | (7,335)                  |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>                      | <b><u>(97,631)</u></b>                  | <b><u>108,547</u></b>    |
| Cash and cash equivalents, beginning of period                                    | 490,335                                 | 381,788                  |
| <b>Cash and cash equivalents, end of period</b>                                   | <b><u>\$ 392,704</u></b>                | <b><u>\$ 490,335</u></b> |
|   |   |                          |
| Cash paid for interest on convertible senior notes                                | <u>\$ 1,274</u>                         | <u>\$ 2,438</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,<br>2008  | June 30,<br>2008 | September 30,<br>2008 | December 31,<br>2008 | December 31,<br>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 |
|--|--------|--------|--------|--------|--------|

|   | Three months ended |                  |                       |                      | Twelve months ended  |
|---|--------------------|------------------|-----------------------|----------------------|----------------------|
|   | March 31,<br>2009  | June 30,<br>2009 | September 30,<br>2009 | December 31,<br>2009 | December 31,<br>2009 |
| GAAP pre-tax income                                       | \$ 22,759          | \$ 14,785        | \$ 15,384             | \$ 14,076            | \$ 67,004            |
| Add back: amortization of acquisition-related intangibles | 2,003              | 1,916            | 1,800                 | 1,842                | 7,561                |
| Add back: stock-based compensation expense                | 3,711              | 4,887            | 4,658                 | 5,014                | 18,270               |
| Non-GAAP pre-tax income                                   | 28,473             | 21,588           | 21,842                | 20,932               | 92,835               |
| Income tax expense @ 27%                                  | 7,688              | 5,828            | 5,897                 | 5,652                | 25,065               |
| <b>Non-GAAP net income</b>                                | <b>\$ 20,785</b>   | <b>\$ 15,760</b> | <b>\$ 15,945</b>      | <b>\$ 15,280</b>     | <b>\$ 67,770</b>     |
| <b>Non-GAAP net income per share - diluted</b>            | <b>\$ 0.56</b>     | <b>\$ 0.42</b>   | <b>\$ 0.42</b>        | <b>\$ 0.40</b>       | <b>\$ 1.80</b>       |

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| Shares used in per share calculation - diluted | 37,227 | 37,781 | 38,093 | 38,026 | 37,704 |
|--|--------|--------|--------|--------|--------|

**Breakdown of stock-based compensation expense**

|                                  | Three months ended |                  |                       |                      | Twelve months ended  |
|----------------------------------|--------------------|------------------|-----------------------|----------------------|----------------------|
|                                  | March 31,<br>2009  | June 30,<br>2009 | September 30,<br>2009 | December 31,<br>2009 | December 31,<br>2009 |
| Direct cost of services          | \$ 169             | \$ 172           | \$ 160                | \$ 157               | \$ 658               |
| Network and infrastructure       | 113                | 207              | 215                   | 216                  | 751                  |
| Sales and marketing              | 1,517              | 1,643            | 1,704                 | 1,878                | 6,742                |
| Product research and development | 456                | 622              | 670                   | 691                  | 2,439                |
| General and administrative       | 1,456              | 2,243            | 1,909                 | 2,072                | 7,680                |
| <b>Total</b>                     | <b>\$ 3,711</b>    | <b>\$ 4,887</b>  | <b>\$ 4,658</b>       | <b>\$ 5,014</b>      | <b>\$ 18,270</b>     |

**Non-GAAP Guidance Reconciliation**

|  | Q1 - 2010 Guidance |                |
|--|--------------------|----------------|
|  | Low                | High           |
| Expected GAAP net income per share - diluted       | \$ 0.05            | \$ 0.10        |
| Add back amortization of acquisition-related costs | 0.04               | 0.04           |
| Add back stock-based compensation expense          | 0.13               | 0.13           |
| Tax variability                                    | (0.05)             | (0.05)         |
| Restructuring                                      | 0.01               | 0.01           |
| Expected non-GAAP diluted net income per share     | <b>\$ 0.18</b>     | <b>\$ 0.23</b> |