

Digital River, Inc.

First Quarter Results

(Unaudited, in thousands)

Subject to reclassification

Condensed Consolidated Balance Sheets

| | As of | |
|---|-------------------|-------------------|
| | March 31, | December 31, |
| | 2006 | 2005 |
| <u>Assets</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 317,795 | \$ 131,770 |
| Short-term investments | 235,442 | 220,569 |
| Accounts receivable, net | 29,979 | 34,883 |
| Deferred income taxes | 24,835 | 22,251 |
| Prepaid expenses and other | 3,627 | 3,741 |
| Total current assets | 611,678 | 413,214 |
| Property and equipment, net | 20,236 | 17,955 |
| Goodwill | 216,402 | 195,299 |
| Intangible assets, net | 22,592 | 20,054 |
| Deferred income taxes | 1,900 | 10,444 |
| Other assets | 12,121 | 12,174 |
| Total assets | \$ 884,929 | \$ 669,140 |
| <u>Liabilities and stockholders' equity</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 134,862 | \$ 127,846 |
| Accrued payroll | 6,644 | 8,866 |
| Deferred revenue | 6,072 | 5,403 |
| Accrued acquisition costs | 8,699 | 5,651 |
| Other accrued liabilities | 23,819 | 21,210 |
| Total current liabilities | 180,096 | 168,976 |
| Non-current liabilities | | |
| Convertible senior notes | 195,000 | 195,000 |
| Deferred income taxes | - | 22 |
| Total non-current liabilities | 195,000 | 195,022 |
| Total liabilities | 375,096 | 363,998 |
| Stockholders' equity | | |
| Common stock | 395 | 350 |
| Additional paid-in capital | 499,040 | 313,547 |
| Retained earnings (accumulated deficit) | 10,053 | (6,324) |
| Accumulated other comprehensive income (loss) | 345 | (2,431) |
| Stockholders' equity | 509,833 | 305,142 |
| Total liabilities and stockholders' equity | \$ 884,929 | \$ 669,140 |

Digital River, Inc.

First Quarter Results

(Unaudited, in thousands, except per share amounts)

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Condensed Consolidated Statements of Operations

| | Three months ended March 31, | |
|---|---------------------------------|------------------|
| | 2006 | 2005 |
| Revenue | \$ 78,014 | \$ 54,529 |
| Costs and expenses | | |
| Direct cost of services | 1,863 | 1,301 |
| Network and infrastructure | 7,443 | 4,479 |
| Sales and marketing | 26,939 | 16,376 |
| Product research and development | 7,602 | 4,458 |
| General and administrative | 8,250 | 5,615 |
| Depreciation and amortization | 2,253 | 2,122 |
| Amortization of acquisition-related intangibles | 2,840 | 2,396 |
| Total costs and expenses | 57,190 | 36,747 |
| Income from operations | 20,824 | 17,782 |
| Other income, net | 2,935 | 1,155 |
| Income before income tax expense | 23,759 | 18,937 |
| Income tax expense | 7,382 | 4,900 |
| Net income | \$ 16,377 | \$ 14,037 |
| | | |
| Net income per share - basic | \$ 0.46 | \$ 0.41 |
| Net income per share - diluted | \$ 0.41 | \$ 0.35 |
| Shares used in per-share calculation - basic | 35,301 | 33,932 |
| Shares used in per-share calculation - diluted | 41,154 | 41,454 |

Calculation of GAAP Diluted Net Income Per Share

| | Three months ended March 31, | |
|--|---------------------------------|------------------|
| | 2006 | 2005 |
| GAAP net income | \$ 16,377 | \$ 14,037 |
| Add back debt interest expense and issuance cost amortization, net of tax benefit | 435 | 511 |
| Adjusted net income for GAAP EPS calculation | \$ 16,812 | \$ 14,548 |
| | | |
| Net income per share - diluted | \$ 0.41 | \$ 0.35 |
| Shares used in per-share calculation - diluted | 41,154 | 41,454 |

Digital River, Inc.

First Quarter Results

(Unaudited, in thousands)

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Condensed Consolidated Statements of Cash Flows

| | Three months ended | |
|--|--------------------------|--------------------------|
| | March 31, | |
| | 2006 | 2005 |
| Operating Activities: | | |
| Net income | \$ 16,377 | \$ 14,037 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of acquisition-related intangibles | 2,840 | 2,396 |
| Change in accounts receivable allowance, net of acquisitions | 94 | 6 |
| Depreciation and amortization | 2,253 | 2,122 |
| Stock-based compensation expense related to stock options and employee stock purchases | 3,413 | - |
| Tax benefit of stock-based compensation | - | 2,600 |
| Excess tax benefits from stock-based compensation | (1,488) | - |
| Deferred and other income taxes | 6,377 | - |
| Litigation and other charges | (15) | (620) |
| Change in operating assets and liabilities (net of acquisitions): | | |
| Accounts receivable | 6,172 | 831 |
| Prepaid and other assets | 94 | (4,408) |
| Accounts payable | 5,184 | 4,086 |
| Deferred revenue | 344 | 851 |
| Income tax payable | 898 | (632) |
| Accrued payroll and other accrued liabilities | (2,011) | 5,992 |
| Net cash provided by operating activities | <u>40,532</u> | <u>27,261</u> |
| Investing Activities: | | |
| Purchases of investments | (66,310) | (36,485) |
| Sales of investments | 51,263 | 27,277 |
| Cash paid for acquisitions, net of cash received | (16,470) | (7,306) |
| Purchases of equipment and capitalized software | (4,002) | (3,680) |
| Net cash used in investing activities | <u>(35,519)</u> | <u>(20,194)</u> |
| Financing Activities: | | |
| Proceeds from sales of common stock | 172,700 | - |
| Exercise of stock options | 6,117 | 8,801 |
| Sales of common stock under employee stock purchase plan | - | 771 |
| Excess tax benefits from stock-based compensation | 1,488 | - |
| Net cash provided by financing activities | <u>180,305</u> | <u>9,572</u> |
| Effect of exchange rate changes on cash | <u>707</u> | <u>(1,587)</u> |
| Net increase in cash and cash equivalents | 186,025 | 15,052 |
| Cash and cash equivalents, beginning of period | 131,770 | 127,734 |
| Cash and cash equivalents, end of period | <u>\$ 317,795</u> | <u>\$ 142,786</u> |
| Cash paid for interest on Convertible Senior Notes | <u>\$ 1,219</u> | <u>\$ 1,401</u> |

Digital River, Inc.

GAAP to non-GAAP Reconciliations

(Unaudited, in thousands, except per share amounts)

Calculation of Historical non-GAAP Diluted Net Income Per Share

| | Three months ended | | | | Twelve months ended |
|---|--------------------|------------------|-----------------------|----------------------|----------------------|
| | March 31, 2005 | June 30, 2005 | September 30, 2005 | December 31, 2005 | December 31, 2005 |
| GAAP pre-tax income | \$ 18,937 | \$ 15,456 | \$ 17,058 | \$ 20,229 | \$ 71,680 |
| Add back: amortization of acquisition-related intangibles | 2,396 | 2,110 | 2,089 | 2,135 | 8,730 |
| Add back: stock-based compensation expense | - | - | - | - | - |
| Non-GAAP pre-tax income | 21,333 | 17,566 | 19,147 | 22,364 | 80,410 |
| Income tax expense @ 31% | 6,613 | 5,445 | 5,936 | 6,933 | 24,927 |
| Non-GAAP net income | \$ 14,720 | \$ 12,121 | \$ 13,211 | \$ 15,431 | \$ 55,483 |
| Non-GAAP net income per share - diluted | \$ 0.36 | \$ 0.29 | \$ 0.31 | \$ 0.37 | \$ 1.34 |
| Shares used in per-share calculation - diluted | 41,454 | 41,154 | 41,972 | 41,244 | 41,448 |

| | Three months ended |
|---|--------------------|
| | March 31, 2006 |
| GAAP pre-tax income | \$ 23,759 |
| Add back: amortization of acquisition-related intangibles | 2,840 |
| Add back: stock-based compensation expense | 3,413 |
| Non-GAAP pre-tax income | 30,012 |
| Income tax expense @ 31% | 9,304 |
| Non-GAAP net income | \$ 20,708 |
| Non-GAAP net income per share - diluted | \$ 0.50 |
| Shares used in per-share calculation - diluted | 41,154 |

| | Three months ended |
|----------------------------------|--------------------|
| | March 31, 2006 |
| Direct cost of services | \$ 214 |
| Network and infrastructure | 86 |
| Sales and marketing | 1,289 |
| Product research and development | 585 |
| General and administrative | 1,239 |
| Total | \$ 3,413 |

Non-GAAP Guidance Reconciliation

| | Q2 - 2006 Guidance | FY-2006 Guidance |
|---|-----------------------|---------------------|
| Expected GAAP net income per share - diluted | \$ 0.28 | \$ 1.36 |
| Add back: amortization of acquisition-related intangibles | 0.06 | 0.22 |
| Add back: stock-based compensation expense | 0.08 | 0.32 |
| Tax benefit of amortization and stock-based compensation | (0.04) | (0.16) |
| Deduct impact of contingent convertible notes | (0.01) | (0.04) |
| Expected non-GAAP diluted net income per share | \$ 0.37 | \$ 1.70 |