

Digital River, Inc.			
First Quarter Results			
(Unaudited, in thousands)			
Subject to reclassification			
Condensed Consolidated Balance Sheets		As of	
	March 31,		December 31,
	2008		2007
Assets			
Current assets			
Cash and cash equivalents	\$ 305,800		\$ 381,788
Short-term investments	289,612		315,636
Accounts receivable, net	63,127		64,914
Deferred income taxes	2,809		7,899
Prepaid expenses and other	5,976		4,577
Total current assets	667,324		774,814
Property and equipment, net	31,583		31,102
Goodwill	280,460		261,885
Intangible assets, net	39,951		32,382
Deferred income taxes	15,606		15,606
Other assets	6,661		11,955
Total assets	\$ 1,041,585		\$ 1,127,744
Liabilities and stockholders' equity			
Current liabilities			
Convertible senior notes	\$ 195,000		\$ -
Accounts payable	191,329		180,386
Accrued payroll	13,564		12,704
Deferred revenue	11,980		10,384
Accrued acquisition liabilities	46		399
Other accrued liabilities	39,773		41,229
Total current liabilities	451,692		245,102
Non-current liabilities			
Convertible senior notes	-		195,000
Other liabilities	11,736		11,362
Total non-current liabilities	11,736		206,362
Total liabilities	463,428		451,464
Stockholders' equity			
Common stock	430		425
Treasury stock	(59)		(20)
Additional paid-in capital	536,193		576,529
Retained earnings	143,695		125,187
Less treasury stock	(149,580)		(56,774)
Accumulated other comprehensive income	47,478		30,933
Stockholders' equity	578,157		676,280
Total liabilities and stockholders' equity	\$ 1,041,585		\$ 1,127,744

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Condensed Consolidated Statement of Income		
	Three months ended March 31,	
	2008	2007
Revenue	\$ 103,634	\$ 91,631
Costs and expenses:		
Direct cost of services	4,175	2,563
Network and infrastructure	10,188	7,495
Sales and marketing	39,730	34,189
Product research and development	12,670	8,652
General and administrative	10,244	10,113
Depreciation and amortization	3,834	2,858
Amortization of acquisition-related intangibles	2,176	2,746
Total costs and expenses	83,017	68,616
Income from operations	20,617	23,015
Interest income	6,246	7,882
Other expense, net	(749)	(889)
Income before income tax expense	26,114	30,008
Income tax expense	7,831	9,302
Net income	\$ 18,283	\$ 20,706
Net income per share - basic	\$ 0.47	\$ 0.51
Net income per share - diluted	\$ 0.43	\$ 0.46
Shares used in per share calculation - basic	38,528	40,492
Shares used in per share calculation - diluted	43,506	46,348
Calculation of GAAP Diluted Net Income Per Share		
	Three months ended March 31,	
	2008	2007
GAAP net income	\$ 18,283	\$ 20,706
Add back debt interest expense and issuance cost amortization, net of tax benefit	434	435
Adjusted net income for GAAP EPS calculation	\$ 18,717	\$ 21,141
Net income per share - diluted	\$ 0.43	\$ 0.46
Shares used in per share calculation - diluted	43,506	46,348

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Condensed Consolidated Statements of Cash Flows			
	Three months ended March 31,		
	2008		2007
<u>Operating Activities:</u>			
Net income	\$ 18,283		\$ 20,706
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of acquisition-related intangibles	2,176		2,746
Change in accounts receivable allowance, net of acquisitions	411		119
Depreciation and amortization	3,834		2,858
Stock-based compensation expense	3,031		3,476
Excess tax benefits from stock-based compensation	(412)		(8,496)
Deferred and other income taxes	5,345		4,500
Change in operating assets and liabilities (net of acquisitions):			
Accounts receivable	4,374		10,055
Prepaid and other assets	3,732		985
Accounts payable	4,798		9,981
Deferred revenue	1,248		(197)
Income tax payable	(7,357)		4,760
Other accrued liabilities	5,190		(72)
Net cash provided by operating activities	44,653		51,421
<u>Investing Activities:</u>			
Purchases of investments	(94,714)		(79,341)
Sales of investments	122,050		52,075
Cash paid for acquisitions, net of cash received	(16,481)		(4,344)
Purchases of equipment and capitalized software	(4,192)		(3,445)
Net cash (used in)/provided by investing activities	6,663		(35,055)
<u>Financing Activities:</u>			
Exercise of stock options	1,985		5,639
Repurchase of common stock	(137,858)		-
Repurchase of restricted stock to satisfy tax withholding obligation	(355)		(224)
Excess tax benefits from stock-based compensation	412		8,496
Net cash (used in)/ provided by financing activities	(135,816)		13,911
Effect of exchange rate changes on cash	8,512		1,658
Net (decrease)/ increase in cash and cash equivalents	(75,988)		31,935
Cash and cash equivalents, beginning of period	381,788		390,243
Cash and cash equivalents, end of period	\$ 305,800		\$ 422,178
Cash paid for interest on Convertible Senior Notes	\$ 1,219		\$ 1,219

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,	June 30,	September 30,	December 31,	December 31,
	2007	2007	2007	2007	2007
GAAP pre-tax income	\$ 30,008	\$ 21,005	\$ 22,174	\$ 29,888	\$ 103,075
Add back: amortization of acquisition-related intangibles	2,746	1,607	1,611	1,622	7,586
Add back: stock-based compensation expense	3,476	3,649	3,411	3,206	13,742
Non-GAAP pre-tax income	36,230	26,261	27,196	34,716	124,403
Income tax expense @ 31%	11,231	8,141	8,431	10,762	38,565
Non-GAAP net income	\$ 24,999	\$ 18,120	\$ 18,765	\$ 23,954	\$ 85,838
Non-GAAP net income per share - diluted	\$ 0.54	\$ 0.39	\$ 0.41	\$ 0.53	\$ 1.87
Shares used in per share calculation - diluted	46,348	46,637	45,386	45,401	45,914
	Three months ended				
	March 31,				
	2008				
GAAP pre-tax income	\$ 26,114				
Add back: amortization of acquisition-related intangibles	2,176				
Add back: stock-based compensation expense	3,031				
Non-GAAP pre-tax income	31,321				
Income tax expense @ 31%	9,710				
Non-GAAP net income	\$ 21,611				
Non-GAAP net income per share - diluted	\$ 0.50				
Shares used in per share calculation - diluted	43,506				
Breakdown of stock-based compensation expense					
	Three months ended				
	March 31,				
	2008				
Direct cost of services	\$ 192				
Network and infrastructure	32				
Sales and marketing	1,102				
Product research and development	262				
General and administrative	1,443				
Total	\$ 3,031				
Non-GAAP Guidance Reconciliation					
	Q2 - 2008		FY - 2008		
	Guidance		Guidance		
Expected GAAP net income per share - diluted	\$ 0.25		\$ 1.58		
Add back amortization of acquisition-related costs	0.06		0.20		
Add back stock-based compensation expense	0.08		0.33		
Tax variability	(0.05)		(0.19)		
Deduct impact of contingent convertible notes	(0.01)		(0.03)		
Expected non-GAAP diluted net income per share	\$ 0.33		\$ 1.89		