

<b>Digital River, Inc.</b>			
Fourth Quarter Results			
(Unaudited, in thousands)			
<b>Condensed Consolidated Balance Sheets</b>			
	As of December 31,		
	2005		2004
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 131,770		\$ 127,734
Short-term investments	220,569		164,402
Accounts receivable, net	34,883		21,520
Deferred tax asset	22,251		1,474
Other current assets	3,741		1,843
Total current assets	413,214		316,973
Property and equipment, net	17,955		17,367
Goodwill	195,299		148,086
Intangible assets, net	20,054		17,297
Deferred tax asset	10,444		3,841
Other assets	12,174		6,272
<b>Total assets</b>	<b>\$ 669,140</b>		<b>\$ 509,836</b>
<u>Liabilities and stockholders' equity</u>			
Current liabilities			
Accounts payable	\$ 127,846		\$ 88,052
Accrued payroll	8,866		5,332
Deferred revenue	5,403		3,901
Accrued acquisitions expenses	5,651		6,720
Other accrued liabilities	21,210		14,221
Total current liabilities	168,976		118,226
Non-current liabilities			
Convertible senior notes	195,000		195,000
Deferred tax liability	22		3,841
Total non-current liabilities	195,022		198,841
Total liabilities	363,998		317,067
Stockholders' equity			
Common stock	350		337
Additional paid-in capital	313,547		243,926
Accumulated deficit	(6,320)		(51,164)
Accumulated other comprehensive loss	(2,435)		(330)
Stockholders' equity	305,142		192,769
<b>Total liabilities and stockholders' equity</b>	<b>\$ 669,140</b>		<b>\$ 509,836</b>

**Digital River, Inc.**

Fourth Quarter and Full Year Results

(Unaudited, in thousands, except per share amounts)

**Condensed Consolidated Statements of Operations**

	Three months ended December 31,		Twelve months ended December 31,	
	2005	2004	2005	2004
Revenue	\$ 61,557	\$ 47,959	\$ 220,408	\$ 154,130
Costs and expenses:				
Direct cost of services	1,475	1,325	5,013	5,013
Network and infrastructure	5,614	4,084	19,814	15,143
Sales and marketing	20,428	15,536	69,256	51,749
Product research and development	5,779	3,796	20,575	14,097
General and administrative	5,264	6,156	21,474	16,894
Depreciation and amortization	2,028	2,526	8,833	8,203
Amortization of acquisition-related costs	2,135	1,989	8,730	8,269
Total costs and expenses	42,723	35,412	153,695	119,368
<b>Income from operations</b>	<b>18,834</b>	<b>12,547</b>	<b>66,713</b>	<b>34,762</b>
Other income/(expense), net	1,395	1,360	4,967	1,641
<b>Income before income tax expense</b>	<b>20,229</b>	<b>13,907</b>	<b>71,680</b>	<b>36,403</b>
Income tax expense	(2,507)	(1,079)	(17,337)	(1,079)
<b>Net income</b>	<b>\$ 17,722</b>	<b>\$ 12,828</b>	<b>\$ 54,343</b>	<b>\$ 35,324</b>
<b>Net income per share - basic</b>	<b>\$ 0.50</b>	<b>\$ 0.39</b>	<b>\$ 1.57</b>	<b>\$ 1.09</b>
<b>Net income per share - diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.33</b>	<b>\$ 1.36</b>	<b>\$ 0.96</b>
Weighted average shares outstanding - basic	35,112	33,159	34,536	32,328
Weighted average shares outstanding - diluted	41,661	41,396	41,585	38,532

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

	Three months ended December 31,		Twelve months ended December 31,	
	2005	2004	2005	2004
GAAP net income	\$ 17,722	\$ 12,828	\$ 54,343	\$ 35,324
Add back debt interest expense and issuance cost amortization, net of tax benefit	629	692	2,099	1,772
<b>Adjusted net income for GAAP EPS calculation</b>	<b>\$ 18,351</b>	<b>\$ 13,520</b>	<b>\$ 56,442</b>	<b>\$ 37,096</b>
<b>Net income per share - diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.33</b>	<b>\$ 1.36</b>	<b>\$ 0.96</b>
Weighted average shares outstanding - diluted	41,661	41,396	41,585	38,532

**Digital River, Inc.**  
Fourth Quarter Results  
(Unaudited, in thousands)

**Condensed Consolidated Statements of Cash Flows**

	<u>Twelve months ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Operating Activities:</u>		
Net income	\$ 54,343	\$ 35,324
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of acquisition-related costs	8,730	8,269
Change in accounts receivable allowance	(598)	709
Depreciation and amortization	8,833	8,203
Tax benefit of stock-based compensation	47,879	-
Deferred and other income taxes	(28,916)	-
Litigation and other charges	-	1,090
Change in operating assets and liabilities:		
Accounts receivable	(10,304)	(8,223)
Prepaid and other assets	74	1,037
Accounts payable	34,822	34,433
Deferred revenue	1,395	(230)
Accrued payroll and other accrued liabilities	8,869	4,523
Net cash provided by operating activities	<u>125,127</u>	<u>85,135</u>
<u>Investing Activities:</u>		
Purchases of investments	(190,713)	(199,699)
Sales of investments	127,771	94,059
Cash paid for acquisitions, net of cash received	(59,550)	(126,457)
Purchases of property, equipment and capitalized software	(8,328)	(9,255)
Net cash used in investing activities	<u>(130,820)</u>	<u>(241,352)</u>
<u>Financing Activities:</u>		
Principal amount on line of credit	-	45,000
Repayment of principal on line of credit	-	(45,000)
Proceeds from convertible senior notes	-	188,371
Exercise of stock options	23,199	19,719
Sales of common stock under employee stock purchase plan	2,199	904
Repurchase of common stock	(13,145)	-
Net cash provided by financing activities	<u>12,253</u>	<u>208,994</u>
Effect of exchange rate changes on cash	<u>(2,524)</u>	<u>2,072</u>
Net increase in cash and cash equivalents	4,036	54,849
Cash and cash equivalents, beginning of period	127,734	72,885
Cash and cash equivalents, end of period	<u>\$ 131,770</u>	<u>\$ 127,734</u>
Cash paid for interest on Convertible Senior Notes	<u>\$ 2,641</u>	<u>\$ -</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, 2004	June 30, 2004	September 30, 2004	December 31, 2004	December 31, 2004
GAAP Pre-tax income	\$ 7,615	\$ 6,756	\$ 8,126	\$ 13,907	\$ 36,403
Add back: amortization of acquisition-related costs	1,579	2,267	2,434	1,989	8,269
Add back: stock-based compensation	-	-	-	-	-
Non-GAAP pretax income	9,194	9,023	10,560	15,896	44,672
Income tax expense @ 34%	3,126	3,068	3,590	5,405	15,188
Non-GAAP net income	<u>\$ 6,068</u>	<u>\$ 5,955</u>	<u>\$ 6,970</u>	<u>\$ 10,491</u>	<u>\$ 29,484</u>
Non-GAAP net income per share - diluted	<u>\$ 0.17</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.25</u>	<u>\$ 0.77</u>
Weighted average shares outstanding - diluted	35,059	37,440	40,233	41,396	38,532

	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 costs	2,396	2,110	2,089	2,135	8,730
Add back: stock-based compensation	-	-	-	-	-
Non-GAAP pretax income	21,333	17,566	19,147	22,364	80,410
Income tax expense @ 34%	7,253	5,972	6,510	7,604	27,339
Non-GAAP net income	<u>\$ 14,080</u>	<u>\$ 11,594</u>	<u>\$ 12,637</u>	<u>\$ 14,760</u>	<u>\$ 53,071</u>
Non-GAAP net income per share - diluted	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.35</u>	<u>\$ 1.28</u>
Weighted average shares outstanding - diluted	41,454	41,154	41,972	41,661	41,585

**Non-GAAP Guidance Reconciliation**

	Q1 - 2006 Guidance	FY-2006 Guidance
Expected GAAP net income per share - diluted	\$ 0.31	\$ 1.16
Add back amortization of acquisition-related costs	0.07	0.28
Add back stock compensation expense	0.08	0.34
Tax benefit of amortization and stock-based compensation	(0.05)	(0.21)
Deduct impact of contingent convertible notes	(0.01)	(0.04)
Expected non-GAAP diluted net income per share	<u>\$ 0.40</u>	<u>\$ 1.53</u>