



DILIGENT QUARTERLY UPDATE | Second Quarter 2010

ISSUED 13 JULY 2010 – DILIGENT BOARD MEMBER SERVICES, INC.

Revenue – Second Quarters Compared

\$US (000s)	2009		2010		% Change	
	Qtr 2	YTD	Qtr 2	YTD	Qtrly	YTD
Net Sales Revenue ¹	1,156	2,154	1,919	3,666	66%	70%

Notes:

1. Net Sales Revenue definition: Revenue from Annualized License Fees and Installation Fees recorded ratably over the contract period.

License Fees – Second Quarters Compared

\$US (000s)	2009		2010		% Change	
	Qtr 2	YTD	Qtr 2	YTD	Qtrly	YTD
Additional Annualized License Fees (ALF) – Net	465	993	690	1,281	48%	29%
Foreign Exchange Adjustments ¹	53	46	(29)	(53)	n/a	n/a
Cumulative ALF – Period End	n/a	4,885	n/a	7,549	n/a	55%
Upgrades/ (Downgrades) included in New ALF ²	78	180	115	198	47%	10%

Notes:

1. Foreign exchange adjustments for prior period sales are reported quarterly and included only in Cumulative ALF numbers.
2. Upgrade/Downgrade numbers are included in Net ALFs calculation.

License Sales – Second Quarters Compared

	2009		2010		% Change	
	Qtr 2	YTD	Qtr 2	YTD	Qtrly	YTD
Additional License Agreements – Net	20	39	36	72	80%	85%
Cumulative License Agreements – Period End	n/a	213	n/a	356	n/a	67%

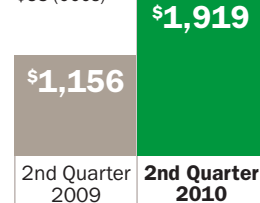
Notes:

1. Because license values constantly fluctuate, we consider License Sales to be a “growth indicator.” We place greater importance on Net Sales Revenue and Annualized License Fees, which we consider to be key “growth benchmarks.”
2. Net License Agreements definition: Signed License Agreements net of cancellations and reclassifications.

REVENUE

Net Sales Revenue
66% Growth

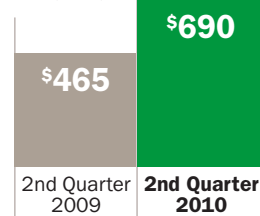
\$US (000s)



LICENSE FEES

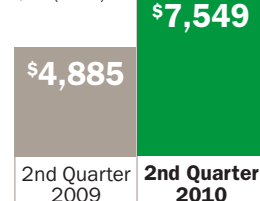
Additional ALF (Net)
48% Growth

\$US (000s)



Cumulative ALF
55% Growth

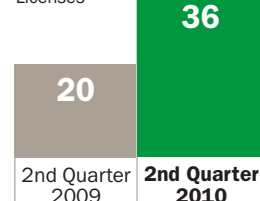
\$US (000s)



LICENSE SALES

Additional License Agreements (Net)
80% Growth

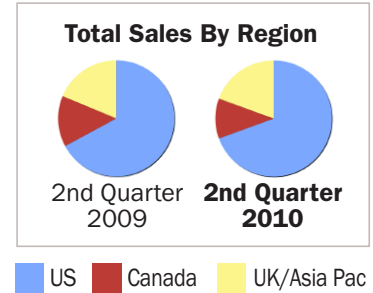
Licenses



Other Metrics – Second Quarters Compared

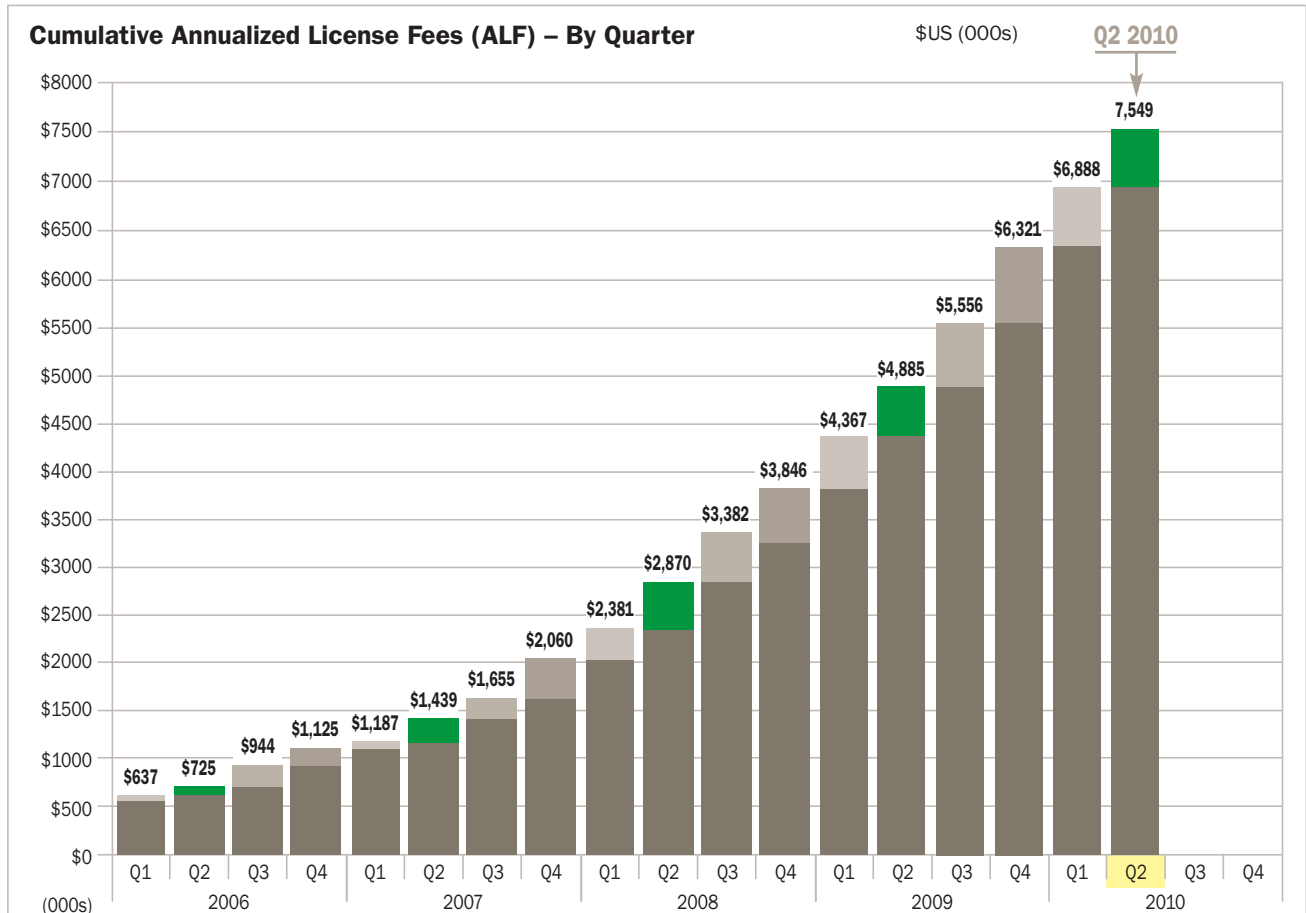
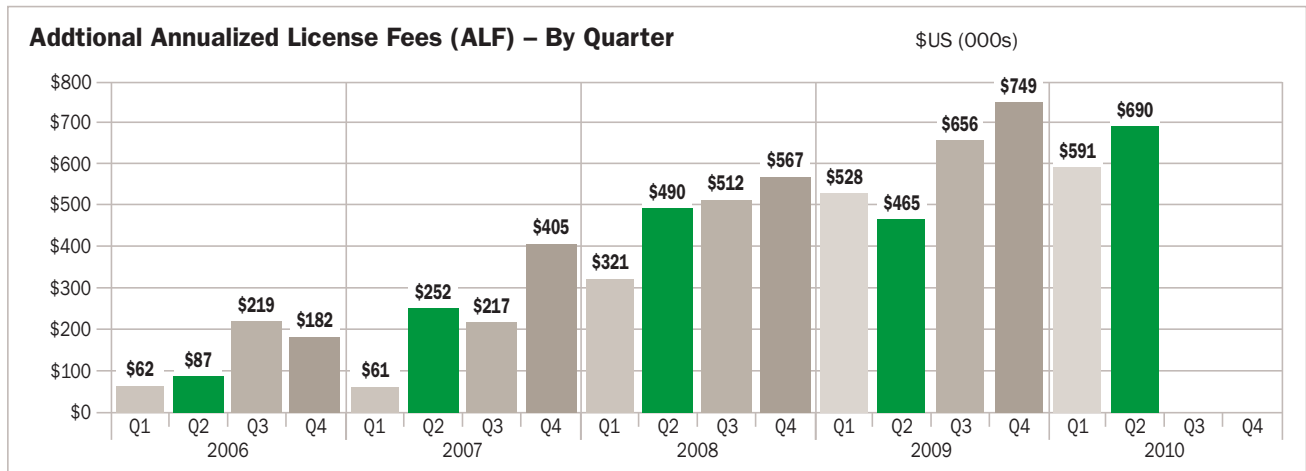
Total License Fees By Region	Region	2009	2010	% Change
	\$US (000s)	Qtr 2	Qtr 2	Qtr 2
Annualized License Fees By Sales Region at Period End	US	312	479	54%
	Canada	66	77	17%
	UK/Asia Pac	87	134	54%
	Q2 Total	465	690	48%

Sales Personnel (as of June 30th)	2009	2010	% Change
	Qtr 2	Qtr 2	Qtr 2
Total Sales Personnel	9	8	-11%



License Fee Growth

■ New Q1 ■ New Q2 ■ New Q3 ■ New Q4 ■ Recurring



Note: Totals reflect Additional Quarterly ALF and foreign exchange adjustments to prior periods' cumulative ALF.

Second Quarter Management Commentary

Diligent Board Member Services, Inc. (Diligent) announces the following sales results for the quarter ended 30 June 2010.

Second Quarter Results

- Net Sales Revenue was \$US 1.92 million for the Second Quarter of 2010, compared to \$US 1.16 million for the Second Quarter of 2009—a growth of 66%.
- Annualized License Fees increased \$US 0.69 million for the Second Quarter of 2010, compared to \$US 0.47 million for the Second Quarter of 2009—an improvement of 48%.
- Total Annualized License Fees were \$US 7.55 million at the end of the Second Quarter of 2010, compared to \$US 4.89 million at the end of the Second Quarter of 2009—a growth of 55% annual recurring revenue.
- A net of 36 New Licenses were added during the Second Quarter of 2010 which compares to 20 for the Second Quarter of 2009—an improvement of 80%.

Performance Review

Diligent is pleased to report that the Q2 2010 net added license fees represent the second highest quarterly figure in its eight year history. In addition, what is most encouraging about this result is the fact that it comes in what traditionally has been a slow quarter in the yearly sales cycle and this quarter's \$US 0.69 million in Annualized License Fees is well in excess of the \$US 0.47 million achieved in the second quarter of 2009.

This result continues the strong sales momentum which has been building over the past three (3) quarters, and demonstrates the continued success in the marketplace of the Diligent Boardbooks® portal.

At the half way mark of the 2010 year Diligent has added license fees of \$US 1.28 million, up significantly over the \$US 0.99 million from the same time in 2009 and \$US 0.81 in 2008.

An important point to note is that the company's growth has occurred while the number of sales staff has remained constant at eight in 2010, versus nine in 2009 and sixteen in 2008. This reflects a number of factors including:

- Sales staff have become more skilled at selling the Boardbooks product;
- Diligent Boardbooks® growing reputation has facilitated the marketing effort to increase inbound inquiries/leads for our product;
- Diligent's target market is showing increasing sophistication and acceptance of the Software-as-a-Service (SaaS) model and technology offered by Diligent;
- Potential clients are demonstrating greater understanding

of the benefits of board portals in terms of time, space and energy of managing board and administration processes online.

In addition to experiencing accelerated acquisition rates, Diligent notes that signings from client referrals are making up an increasing proportion of its sales. These referral sales mean Diligent is able to grow its revenue base with greatly reduced marginal customer acquisition costs.

Also of note is that during Q2 2010, Diligent saw significant sales growth in both the UK and the Canadian region, with relatively modest expense. This growth in sales outside the company's core market of the US further validates Diligent's position as the global leader in board portals. The potential to further penetrate into global markets remains a real growth opportunity.

Another key driver behind the latest performance is that existing users are upgrading their services—this alone added \$US 0.12 million to the Q2 2010 net added license fees, the highest level of upgrades that Diligent has ever recorded in a single quarter.

Diligent's management is continuing to see an increasingly diverse mix of industry groups signing up to use its Boardbooks board portal – with the private sector and organizations associated with Healthcare and Education featuring strongly among the new signings. Due to confidentiality arrangements, Diligent is not able to disclose its full list of clients—many of whom are well-known “blue chip” companies.

With the addition of 36 new license agreements from the Second Quarter, Diligent now has 356 worldwide clients and over 9,500 users of its Boardbooks products. Diligent's income consists of subscription-based revenue that recurs each year and increases with each new license agreement or upgrade. With these Second Quarter sales results, Diligent's cumulative Annualized License Fees now stands at \$US 7.55 million.

Summary

With a 70% revenue increase over last year's half year results, Diligent continues to deliver consistent growth in what remains a very sluggish worldwide economy. Encouragingly, sales momentum generated in the first two quarters of this year is expected to continue through the remainder of 2010.

Diligent's continuing ability to significantly expand its client base reinforces its position as the market leader in providing company directors, executives and administrators with an easy-to-use system of compiling, viewing, monitoring and archiving board materials within a SaaS model.

Looking forward, sales momentum continues to build nicely and Diligent continues to be focused on ensuring that the entire organisation is performing at its fullest potential. As a result, Diligent remains firmly on track to deliver on its stated aim to achieve “cash flow” break even in Q3 2010.

Note: In addition to historical information, this quarterly update contains “forward-looking statements.” The words “forecast,” “estimate,” “project,” “intend,” “expect,” “should,” “believe” and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are made only as of the date of this quarterly update, and we do not undertake any obligation, other than as required by law and the NZX Listing Rules, to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.