

Supplemental Presentation Material for Quarter Ending September 30, 2011

October 27, 2011

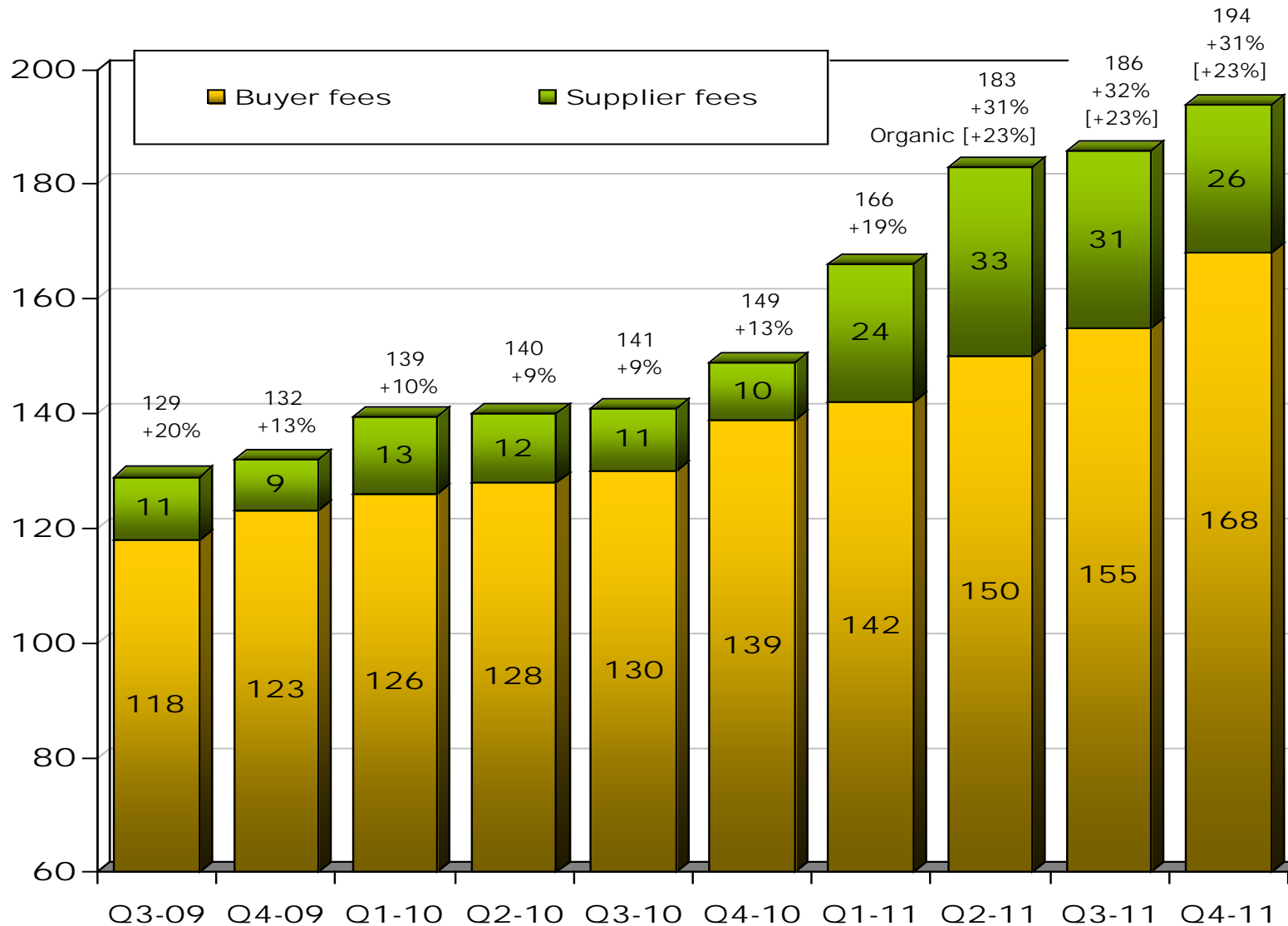
Ariba Safe Harbor Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act 1995: Information and announcements in this presentation involve Ariba's expectations, beliefs, hopes, plans, intentions or strategies regarding the future and are forward-looking statements that involve risks and uncertainties. These forward looking statements include statements relating to the company's real estate forecast, estimated fiscal 2011 and 2012 financial results and long-term financial model. Actual results may differ materially from expected results. All forward-looking statements included in this presentation are based upon information available to Ariba as of the date of the presentation, and we assume no obligation to update any such forward-looking statements. These statements are not guarantees of future performance and actual results could differ materially from our current expectations. Factors that could cause or contribute to Ariba's operating and financial results to differ materially from current expectations include, but are not limited to: the impact of the credit crises on Ariba's results of operations and financial condition; delays in development or shipment of new versions of Ariba's products and services; lack of market acceptance of Ariba's existing or future products or services; inability to continue to develop competitive new products and services on a timely basis; introduction of new products or services by major competitors; the impact of any acquisitions and dispositions, including our recently completed acquisition of the business of Quadrem International Holdings, Ltd. and b-process, such as difficulties with the integration process or the realization of benefits of a transaction; the disruption or loss of customer, business partner, supplier or employee relationships and the level of costs and expenses incurred by Ariba as a result of such transactions; the ability to attract and retain qualified employees; long and unpredictable sales cycles and the deferrals of anticipated orders; declining economic conditions, including the impact of a recession; inability to control costs; changes in the company's pricing or compensation policies; significant fluctuations in our stock price; the outcome of and costs associated with pending or potential future regulatory or legal proceedings. Factors and risks associated with its business, including a number of the factors and risks described above, are discussed in Ariba's latest Form 10-Q filed with the SEC on August 5th, 2011.

Ariba provides quarterly and annual financial statements that are prepared in accordance with Generally Accepted Accounting Principals ("GAAP"). In addition, Ariba provides certain non-GAAP financial information. Our non-GAAP financial measures generally exclude expenses or benefits for (i) amortization of intangible assets related to acquisitions, (ii) stock-based compensation, (iii) tax accrual reversal, (iv) litigation benefit, (v) restructuring costs or benefits, (vi) transaction related costs and (vii) discontinued operations. We exclude these items because we believe they are not closely related to the ongoing operating performance of our business and the performance of our senior management and are generally excluded from our budget and planning process. In addition to these reasons, we believe our non-GAAP financial measures are also helpful to investors by facilitating comparisons of our operating results over different time periods and by facilitating comparisons of our financial performance with that of other companies. In addition, except for certain costs related to restructuring, transaction related costs and litigation benefit, these items are non-cash items that do not affect cash flows. The presentation of this additional information is not meant to be considered in isolation or as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. We have provided a reconciliation of the non-GAAP financial information with the comparable financial information reported in accordance with GAAP for the given period.



Annualized Sub SW Backlog - Up \$45M Y/Y

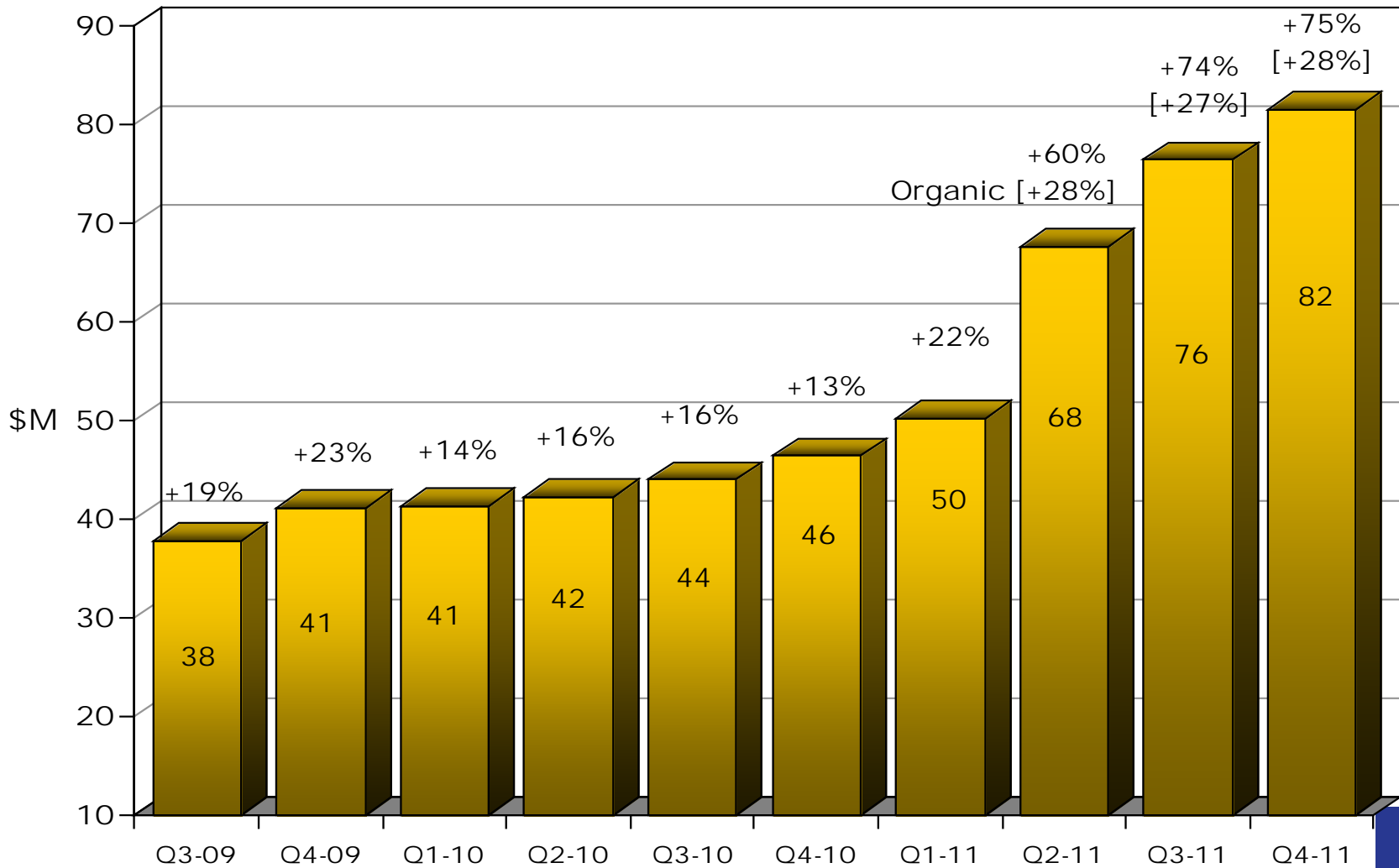


In Q2-11, \$12M was added for Quadrem comprising \$5M Buyer and \$7M Supplier fees. Quadrem backlog is lower as they bill monthly and quarterly.

Percentages represent Y/Y growth rates



Sub SW Revenue up +28% organically and +75% with Quadrem in Q4-11

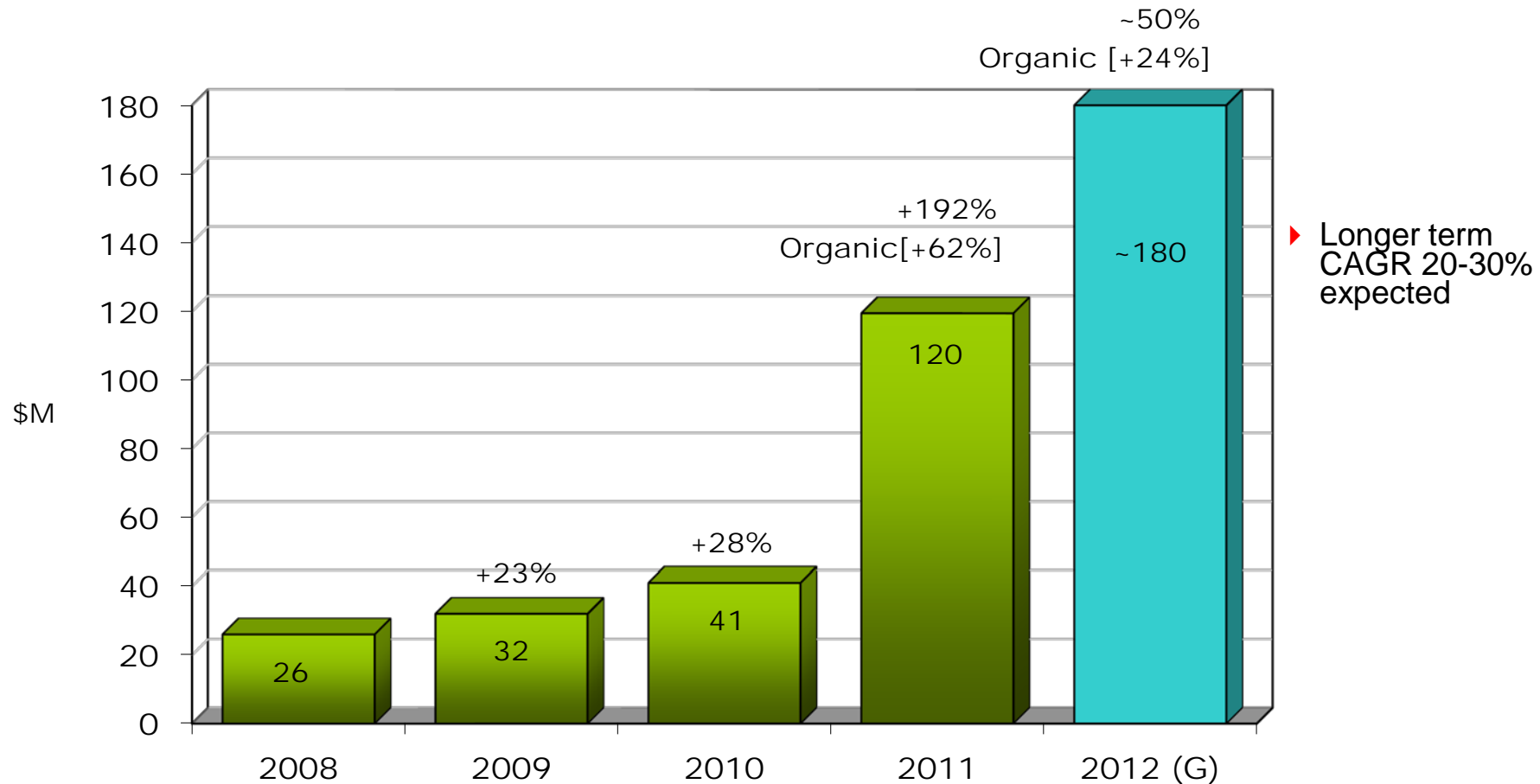


Includes Quadrem from Q2-11.

Percentages represent Y/Y growth rates



Network Software Revenue grows +62% organically and +192% with Quadrem in FY11



(G) = Guidance as at October 27, 2011

Percentages represent Y/Y growth rates

Please refer to safe harbor statement



Q4 Results Above the July Outlook

Continuing Operations:	Q3 11 <u>Actual</u>	July <u>Outlook</u>	Q4 11 <u>Actual</u>
Subscription Software Revenue	76.4M	~79M	81.5M (1)
Maintenance Revenues	14.7M	~13.5M	13.9M
Services and Other	30.9M (2)	26.5+/-1M	27.3M
Total Revenue	121.9M	118 - 120M	122.7M
Non-GAAP EPS	20¢	22+/-1 ¢	24¢

(1) Q4 includes one-time Subscription Software catch-up of ~\$1M

(2) Q3 included accelerated delivery of one-time services revenue of ~\$4M

FY 2011 Results Above the July Outlook

Continuing Operations:	<u>FY10 Actual</u>	<u>July 2011 Outlook</u>	<u>FY11 Actual</u>	<u>Total Growth</u>	<u>Organic Growth</u>
Subscription Software	174M	272 - 274M	275.7M	+58%	+27%
Maintenance	67M	59M	59.5M	-11%	-11%
Services & Other	80M	107 - 109M	108.7M	+37%	+24%
Total Revenue	320M	439 - 441M	443.8M	+39%	+18%
Non-GAAP EPS	71 ¢	78 - 80¢	81 ¢ *	+14%	+14%

* Including ~25 cents of investments in top-line acceleration and innovation.

FY 2012 Guidance

Continuing Ops:	<u>FY11 Actual</u>	<u>FY12 Guidance</u>	<u>b-process</u>	<u>FY12 Guidance Incl b-process</u>	<u>Total Growth</u>	<u>Mix</u>
Network	120M	171 - 175M	7M	178 - 182M	+50% *	34%
Other Applications	<u>156M</u>	<u>179 - 183M</u>		<u>179 - 183M</u>	+16%	34%
Total Subs SW	276M	354+/-4M	7M	361+/-4M	+31% *	69%
Maintenance	59M	49M		49M	-18%	9%
Services & Other	109M	111+/- 5M	4M	115+/-5M	+6%	22%
Total Revenue	444M	514+/- 5M	11M	525+/-5M	+18%	
Non-GAAP EPS	81 ¢	95 +/- 2¢	(3)¢	92 +/- 2¢	+14%	

* Organic growth +24% Network; +19% Total Subs SW

Please refer to safe harbor statement



FY 2012 Cash-Flow Guidance

Continuing Ops :	<u>FY 10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Guidance</u> (1.)
Cash Flow from Operations before lease-losses and litigation receipt	72M	97M	108M+/-5M
Lease-loss payments	-17M	-18M	-23M
Emptoris Litigation Receipt	7M		
Cash Flow from Operations	62M	79M	85M+/-5M

(1.) Incorporates negative ~\$(2)M Cash Flow impact from b-process.

Above excludes Capex. FY11 Capex was ~\$28M including ~\$10M of Leasehold improvements related to the new Sunnyvale premises. Capex is expected to fall back to a more normal ~\$16M in FY12 incl b-process.



Appendices

Supplemental Information: Real Estate

Quarterly Real Estate Lease Loss Impact

- ▶ The Ariba Sunnyvale campus has 4 buildings and each building has 4 floors.
- ▶ There are currently 2 vacant floors.
- ▶ As of 9/30/11, \$31.8M is reserved on the balance sheet for lease loss.
- ▶ Lease end date is January 2013

\$M	<u>1Q '12</u>	<u>2Q '12</u>	<u>3Q '12</u>	<u>4Q '12</u>	<u>FY '12</u>	<u>1Q '13</u>	<u>2Q '13</u>	<u>Total</u>
Per Period	5.7	5.7	6.0	6.0	23.4	6.0	2.4	31.8
Quarterly Average								6.0

- The “Per Period” amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$31.8M real estate lease loss restructuring reserve.

Supplemental Information:

Cash, Restricted Cash & Investments

Cash, Restricted Cash & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 9/30/2011</u>
Cash, Cash Equiv & S/T	Current Assets	0.7%	\$225M
Restricted Cash	Non-Current Assets	0.5%	29M
Long-term Investments	Non-Current Assets	1.5%*	<u>27M</u>
Total Cash, Restricted Cash and Investments		0.7%*	\$281M

* Interest rates are expressed as a percentage of par value. Interest rates expressed as a percentage of fair value (balance sheet value) will be higher.

Supplemental Information:
Financials

Ariba, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited; in thousands)

	September 30, 2011	September 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 196,399	\$ 182,393
Short-term investments	28,319	18,449
Restricted cash	196	104
Accounts receivable, net	32,256	21,781
Prepaid expenses and other current assets	16,191	7,942
Total current assets	273,361	230,669
Property and equipment, net	32,806	15,958
Long-term investments	26,581	22,283
Restricted cash, less current portion	29,174	29,137
Goodwill	482,825	406,507
Other intangible assets, net	61,653	13,154
Other assets	6,741	4,001
Total assets	\$ 913,141	\$ 721,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,873	\$ 11,190
Accrued compensation and related liabilities	45,169	32,079
Accrued liabilities	24,293	18,398
Restructuring obligations	23,461	17,188
Deferred revenue	114,505	97,005
Total current liabilities	216,301	175,860
Restructuring obligations, less current portion	8,346	23,339
Deferred revenue, less current portion	9,181	7,285
Contingent liability for acquisition	23,486	-
Other long-term liabilities	7,873	16,271
Total liabilities	265,187	222,755
Stockholders' equity:		
Common stock	199	188
Additional paid-in capital	5,353,514	5,236,265
Accumulated other comprehensive loss	(3,396)	(1,879)
Accumulated deficit	(4,702,363)	(4,735,620)
Total stockholders' equity	647,954	498,954
Total liabilities and stockholders' equity	\$ 913,141	\$ 721,709



Ariba, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share data)

	Three Months Ended September 30,		Year Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Subscription and maintenance	\$ 95,400	\$ 62,892	\$ 335,124	\$ 240,789
Services and other	27,343	22,001	108,721	79,610
Total revenues	<u>122,743</u>	<u>84,893</u>	<u>443,845</u>	<u>320,399</u>
Cost of revenues:				
Subscription and maintenance	19,048	12,691	70,525	51,049
Services and other	22,312	14,436	79,110	54,777
Amortization of acquired technology and customer intangible assets	3,954	1,025	12,008	4,402
Total cost of revenues	<u>45,314</u>	<u>28,152</u>	<u>161,643</u>	<u>110,228</u>
Gross profit	<u>77,429</u>	<u>56,741</u>	<u>282,202</u>	<u>210,171</u>
Operating expenses:				
Sales and marketing	43,554	31,133	162,120	114,513
Research and development	16,311	11,929	60,468	46,041
General and administrative	13,573	9,057	52,432	32,824
Litigation benefit	-	-	-	(7,000)
Amortization of other intangible assets	331	-	904	104
Restructuring costs	-	-	10,704	8,579
Total operating expenses	<u>73,769</u>	<u>52,119</u>	<u>286,628</u>	<u>195,061</u>
Operating income (loss)	3,660	4,622	(4,426)	15,110
Interest and other income (expense), net	273	(743)	2,039	(617)
Income (loss) from continuing operations before income taxes	3,933	3,879	(2,387)	14,493
Provision for income taxes	1,526	388	596	1,268
Income (loss) from continuing operations	2,407	3,491	(2,983)	13,225
Discontinued operations, net of tax:				
Income (loss) from discontinued operations	684	645	(2,924)	3,161
Gain on sale of discontinued operations	-	-	39,164	-
Total discontinued operations	<u>684</u>	<u>645</u>	<u>36,240</u>	<u>3,161</u>
Net income	<u>\$ 3,091</u>	<u>\$ 4,136</u>	<u>\$ 33,257</u>	<u>\$ 16,386</u>
Basic earnings per share:				
Income (loss) from continuing operations	\$ 0.02	\$ 0.04	\$ (0.03)	\$ 0.15
Discontinued operations, net of tax	0.01	0.01	0.39	0.04
Net income per basic common share	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.36</u>	<u>\$ 0.19</u>
Diluted earnings per share:				
Net income (loss) from continuing operations	\$ 0.02	\$ 0.04	\$ (0.03)	\$ 0.15
Discontinued operations, net of tax	0.01	0.01	0.38	\$ 0.03
Net income per diluted common share	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.35</u>	<u>\$ 0.18</u>
Weighted average shares - basic	93,560	87,565	91,212	86,617
Weighted average shares - diluted	97,677	91,868	94,827	89,221



Ariba, Inc. and Subsidiaries
Cash Flows
(Unaudited; in thousands)

	Three Months Ended September 30,		Year Ended September 30,	
	2011	2010	2011	2010
Operating activities:				
Net income	\$ 3,091	\$ 4,136	\$ 33,257	\$ 16,386
Less income from discontinued operations, net of tax	(684)	(645)	(36,240)	(3,161)
Income (loss) from continuing operations	2,407	3,491	(2,983)	13,225
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:				
Provision for doubtful accounts	103	108	575	684
Depreciation	2,860	2,055	10,294	7,912
Amortization of intangible assets	4,285	1,025	12,912	4,506
Stock-based compensation	16,831	11,765	57,875	46,831
Restructuring costs	-	-	10,704	8,579
Other-than temporary impairment of long-term investments	-	225	-	724
Changes in operating assets and liabilities:				
Accounts receivable	5,835	(1,990)	2,587	(2,805)
Prepaid expense and other assets	(4,194)	198	(7,710)	2,312
Accounts payable	(3,117)	760	(3,775)	3,560
Accrued compensation and related liabilities	5,767	5,967	10,143	3,229
Accrued liabilities	1,972	1,684	(6,712)	(3,558)
Deferred revenue	(11,722)	(9,948)	13,465	(5,896)
Restructuring obligations	(5,775)	(4,285)	(18,260)	(17,114)
Net cash provided by continuing operations	15,252	11,055	79,115	62,189
Net cash provided by (used in) discontinued operations	1,145	1,768	(3,352)	4,820
Net cash provided by operating activities	16,397	12,823	75,763	67,009
Investing activities:				
Cash paid for acquisition, net of cash acquired	-	-	(64,288)	-
Proceeds from sale of discontinued operations	-	-	51,000	-
Purchases of property and equipment	(5,292)	(1,588)	(28,101)	(9,452)
Purchases of investments, net of maturities	(6,007)	1,711	(14,170)	(4,237)
Net cash (used in) provided by investing activities	(11,299)	123	(55,559)	(13,689)
Financing activities:				
Proceeds from issuance of common stock, net	2,871	1,960	6,906	4,208
Repurchase of common stock	(223)	(1)	(13,025)	(5,865)
Net cash provided by (used in) financing activities	2,648	1,959	(6,119)	(1,657)
Effect of exchange rates on cash and cash equivalents	431	(240)	(79)	(151)
Net change in cash and cash equivalents	8,177	14,665	14,006	51,512
Cash and cash equivalents at beginning of period	188,222	167,728	182,393	130,881
Cash and cash equivalents at end of period	\$ 196,399	\$ 182,393	\$ 196,399	\$ 182,393

Non-GAAP Financial Measures

The following table reconciles financial measures prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) to the most directly comparable non-GAAP financial measures in the press release.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, GAAP financial measures, which should be considered as the primary financial metrics for evaluating our financial performance. Significantly, non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. Instead, they are based on subjective determinations by management designed to supplement our GAAP financial measures. They are subject to a number of important limitations and should be considered only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For example, our non-GAAP financial measures have the effect of excluding income and expenses from our operating results that should be properly considered under a system of accrual accounting. In addition, our non-GAAP financial measures differ from GAAP measures with the same names, may vary over time and may differ from non-GAAP financial measures with the same or similar names used by other companies. Accordingly, investors should exercise caution when evaluating our non-GAAP financial measures.

Despite these limitations, we believe our non-GAAP financial measures provide meaningful supplemental information about our operating results, primarily because they exclude income and expenses that we do not believe are indicative of the ongoing operating performance of our business and our senior management. Although these items should properly be considered in our GAAP financial measures, we believe they should be excluded when evaluating our current operating performance. The non-GAAP financial measures disclosed in the accompanying press release are used by our Board of Directors and senior management to evaluate our current operating performance, are used in evaluating the performance of our senior management, and are used in our budget and planning processes. We believe that our non-GAAP financial measures are helpful to investors by facilitating comparisons of our current and prior operating results and by facilitating comparisons of our operating results with those of other software companies.

Ariba, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Operating Results
(Unaudited; in thousands, except per share data)

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP operating results for the period indicated below:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 122,743	\$ 84,893
Less: GAAP net income	3,091	4,136
Total GAAP expenses	119,652	80,757
Amortization of intangible assets	(4,285)	(1,025)
Stock-based compensation	(16,831)	(11,765)
Transaction related costs	-	(663)
Discontinued operations	684	645
Total non-GAAP operating expenses	\$ 99,220	\$ 67,949

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
<u>Net income reconciliation:</u>		
GAAP net income	\$ 3,091	\$ 4,136
Amortization of intangible assets	4,285	1,025
Stock-based compensation	16,831	11,765
Transaction related costs	-	663
Discontinued operations	(684)	(645)
Non-GAAP income from continuing operations	\$ 23,523	\$ 16,944

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
<u>Net income per share reconciliation:</u>		
GAAP net income per share - basic	\$ 0.03	\$ 0.05
Amortization of intangible assets	0.05	0.01
Stock-based compensation	0.18	0.13
Transaction related costs	-	0.01
Discontinued operations	(0.01)	(0.01)
Non-GAAP income from continuing operations per share - basic	\$ 0.25	\$ 0.19

Non-GAAP income from continuing operations per share - diluted	\$ 0.24	\$ 0.18
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Weighted average shares - basic	93,560	87,565
Weighted average shares - diluted	97,677	91,868



Ariba, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Operating Results
(Unaudited; in thousands, except per share data)

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP operating results for the period indicated below:

	Year Ended September 30, 2011	Year Ended September 30, 2010
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 443,845	\$ 320,399
Less: GAAP net income	33,257	16,386
Total GAAP expenses	<u>410,588</u>	<u>304,013</u>
Amortization of intangible assets	(12,912)	(4,506)
Stock-based compensation	(57,875)	(46,831)
Transaction costs	(2,471)	(663)
Tax accrual reversal	3,942	3,089
Litigation benefit	-	7,000
Restructuring costs	(10,704)	(8,579)
Discontinued operations	36,240	3,161
Total non-GAAP operating expenses	<u>\$ 366,808</u>	<u>\$ 256,684</u>

	Year Ended September 30, 2011	Year Ended September 30, 2010
<u>Net income reconciliation:</u>		
GAAP net income	\$ 33,257	\$ 16,386
Amortization of intangible assets	12,912	4,506
Stock-based compensation	57,875	46,831
Transaction costs	2,471	663
Tax accrual reversal	(3,942)	(3,089)
Litigation benefit	-	(7,000)
Restructuring costs	10,704	8,579
Discontinued operations	(36,240)	(3,161)
Non-GAAP income from continuing operations	<u>\$ 77,037</u>	<u>\$ 63,715</u>

	Year Ended September 30, 2011	Year Ended September 30, 2010
<u>Net income per share reconciliation:</u>		
GAAP net income per share - basic	\$ 0.36	\$ 0.19
Amortization of intangible assets	0.14	0.05
Stock-based compensation	0.63	0.54
Transaction costs	0.03	0.01
Tax accrual reversal	(0.04)	(0.04)
Litigation benefit	0.00	(0.08)
Restructuring costs	0.12	0.10
Discontinued operations	(0.40)	(0.04)
Non-GAAP income from continuing operations per share - basic	<u>\$ 0.84</u>	<u>\$ 0.74</u>
Non-GAAP income from continuing operations per share - diluted	\$ 0.81	\$ 0.71
Weighted average shares - basic	91,212	86,617
Weighted average shares - diluted	94,827	89,221



Discussion of Specific Items Excluded From Non-GAAP Financial Measures

Our non-GAAP financial measures generally exclude expenses or benefits for (i) amortization of intangible assets related to acquisitions, (ii) stock-based compensation, (iii) tax accrual reversal, (iv) litigation benefit, (v) restructuring costs or benefits, (vi) transaction related costs and (vii) discontinued operations. We exclude these items because we believe they are not closely related to the ongoing operating performance of our business and the performance of our senior management and are generally excluded from our budget and planning process. In addition to these reasons, we believe our non-GAAP financial measures are also helpful to investors by facilitating comparisons of our operating results over different time periods and by facilitating comparisons of our financial performance with that of other companies. In addition, except for certain restructuring costs or benefits, transaction related costs and litigation benefit, these items are non-cash items that do not affect cash flows.

- 1) *Amortization of acquired intangible assets.* In accordance with GAAP, we amortize intangible assets acquired in connection with acquisitions over the estimated useful lives of the assets. We exclude these amortization costs in our non-GAAP financial measures because they (i) result from prior acquisitions, rather than the ongoing operating performance of our business, and (ii) absent additional acquisitions, are expected to decline over time as the remaining carrying amounts of these assets are amortized. We believe excluding these costs helps investors compare our financial performance with that of other companies with different acquisition histories. However, as with impairment charges, we recognize that amortization costs provide a helpful measure of the financial impact and performance of prior acquisitions and consider our non-GAAP financial measures in conjunction with our GAAP financial results that include amortization costs.
- 2) *Stock-based compensation expenses.* We exclude stock-based compensation expense associated with stock options and stock granted to employees and non-executive directors in our non-GAAP financial measures. While stock-based compensation is a significant component of our expenses, we believe that investors wish to be able to exclude the effects of stock-based compensation expense in comparing our financial performance with that of other companies.
- 3) *Tax accrual reversal.* We released tax reserves in the twelve months ended September 30, 2011 and 2010. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the tax reserve releases helps investors compare our operating performance with that of other companies.

Discussion of Specific Items Excluded From Non-GAAP Financial Measures (continued)

- 4) *Litigation benefit.* We received \$7.0 million from Emptoris in relation to a patent litigation judgment which we recorded as income in the twelve months ended September 30, 2010. We exclude this from our non-GAAP financial measures because it is unrelated to our ongoing operations. We believe excluding the litigation benefit helps investors compare our operating performance with that of other companies. We recognize, however, that the litigation benefit impacts cash flow and that we and investors should carefully consider the impact of this on cash flow.
- 5) *Restructuring cost.* We recorded a restructuring cost related to lease abandonment accruals in the twelve months ended September 30, 2011 and the twelve months ended September 30, 2010, and a restructuring cost related to accelerated depreciation in the twelve months ended September 30, 2011. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations and are significantly impacted by factors outside our control. We believe excluding restructuring costs helps investors compare our operating performance with that of other companies. We recognize, however, that restructuring costs will impact cash flows and that we and investors should carefully consider the impact of these costs on future cash flows.
- 6) *Transaction related costs.* We recorded transaction related costs in the twelve months ended September 30, 2011 and 2010 and the three months ended September 30, 2010. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the transaction related costs helps investors compare our operating performance with that of other companies. We recognize, however, that the transaction related costs impact cash flow and that we and investors should carefully consider the impact of this on cash flow.
- 7) *Discontinued operations.* We exclude the results of discontinued operations from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the results of discontinued operations helps investors compare our operating performance with that of other companies. We recognize, however, that the discontinued operations impact cash flow and that we and investors should carefully consider the impact of this on cash flow.

Ariba, Inc. and Subsidiaries
 Reconciliation of Outlook for the Quarter Ending December 31, 2011
 (Unaudited; in thousands, except per share data)

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP projected operating results for the period indicated below:

	Range for the Three Months Ending December 31, 2011	
	Low	High
<u>Projected revenue:</u>	\$ 123,000	\$ 125,000

	Range for the Three Months Ending December 31, 2011	
	Low	High
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	\$ 127,500	\$ 127,500
Amortization of intangible assets	(5,000)	(5,000)
Stock-based compensation	(18,500)	(18,500)
Non-GAAP projected total expenses	\$ 104,000	\$ 104,000

	Range for the Three Months Ending December 31, 2011	
	Low	High
<u>Projected net (loss) income reconciliation:</u>		
GAAP projected net loss	\$ (4,500)	\$ (2,500)
Amortization of intangible assets	5,000	5,000
Stock-based compensation	18,500	18,500
Non-GAAP projected net income	\$ 19,000	\$ 21,000

	Range for the Three Months Ending December 31, 2011	
	Low	High
<u>Projected net income per share reconciliation:</u>		
GAAP projected net loss per share - basic	\$ (0.05)	\$ (0.03)
Amortization of intangible assets	0.05	0.05
Stock-based compensation	0.20	0.20
Non-GAAP projected net income per share - basic	\$ 0.20	\$ 0.22

Non-GAAP projected net income per share - diluted	\$ 0.19	\$ 0.21
Projected weighted average shares - basic	94,500	94,500
Projected weighted average shares - diluted	98,100	98,100



Ariba, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share data)

	Three Months Ended September 30,			Three Months Ended September 30,		
	2011 Reported	Adj	2011 Non- GAAP	2010 Reported	Adj	2010 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 95,400	\$ -	\$ 95,400	\$ 62,892	\$ -	\$ 62,892
Services and other	27,343	-	27,343	22,001	-	22,001
Total revenues	<u>122,743</u>	<u>-</u>	<u>122,743</u>	<u>84,893</u>	<u>-</u>	<u>84,893</u>
Cost of revenues:						
Subscription and maintenance (2)	19,048	(1,443)	17,605	12,691	(743)	11,948
Services and other (2)	22,312	(1,690)	20,622	14,436	(1,064)	13,372
Amortization of acquired technology and customer intangible assets (1)	3,954	(3,954)	-	1,025	(1,025)	-
Total cost of revenues	<u>45,314</u>	<u>(7,087)</u>	<u>38,227</u>	<u>28,152</u>	<u>(2,832)</u>	<u>25,320</u>
Gross profit	<u>77,429</u>	<u>7,087</u>	<u>84,516</u>	<u>56,741</u>	<u>2,832</u>	<u>59,573</u>
Operating expenses:						
Sales and marketing (2)	43,554	(7,607)	35,947	31,133	(5,963)	25,170
Research and development (2)	16,311	(2,724)	13,587	11,929	(1,581)	10,348
General and administrative (2) (6)	13,573	(3,367)	10,206	9,057	(3,077)	5,980
Amortization of other intangible assets (1)	331	(331)	-	-	-	-
Restructuring costs (5)	-	-	-	-	-	-
Total operating expenses	<u>73,769</u>	<u>(14,029)</u>	<u>59,740</u>	<u>52,119</u>	<u>(10,621)</u>	<u>41,498</u>
Operating income	3,660	21,116	24,776	4,622	13,453	18,075
Interest and other income (expense), net	273	-	273	(743)	-	(743)
Income from continuing operations before income taxes	<u>3,933</u>	<u>21,116</u>	<u>25,049</u>	<u>3,879</u>	<u>13,453</u>	<u>17,332</u>
Provision for income taxes	1,526	-	1,526	388	-	388
Income from continuing operations	<u>2,407</u>	<u>21,116</u>	<u>23,523</u>	<u>3,491</u>	<u>13,453</u>	<u>16,944</u>
Discontinued operations, net of tax:						
Income from discontinued operations (7)	684	(684)	-	645	(645)	-
Total discontinued operations	<u>684</u>	<u>(684)</u>	<u>-</u>	<u>645</u>	<u>(645)</u>	<u>-</u>
Net income	<u>\$ 3,091</u>	<u>\$ 20,432</u>	<u>\$ 23,523</u>	<u>\$ 4,136</u>	<u>\$ 12,808</u>	<u>\$ 16,944</u>
Basic earnings per share:						
Income from continuing operations	\$ 0.02		\$ 0.25	\$ 0.04		\$ 0.19
Discontinued operations, net of tax	0.01		0.00	0.01		0.00
Net income per basic common share	<u>\$ 0.03</u>		<u>\$ 0.25</u>	<u>\$ 0.05</u>		<u>\$ 0.19</u>
Diluted earnings per share:						
Income from continuing operations	\$ 0.02		\$ 0.24	\$ 0.04		\$ 0.18
Discontinued operations, net of tax	0.01		0.00	0.01		0.00
Net income per diluted common share	<u>\$ 0.03</u>		<u>\$ 0.24</u>	<u>\$ 0.05</u>		<u>\$ 0.18</u>
Weighted average shares - basic	93,560		93,560	87,565		87,565
Weighted average shares - diluted	97,677		97,677	91,868		91,868



Ariba, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share data)

	Year Ended September 30,			Year Ended September 30,		
	2011 Reported	Adj	2011 Non- GAAP	2010 Reported	Adj	2010 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 335,124	\$ -	\$ 335,124	\$ 240,789	\$ -	\$ 240,789
Services and other	108,721	-	108,721	79,610	-	79,610
Total revenues	<u>443,845</u>	<u>-</u>	<u>443,845</u>	<u>320,399</u>	<u>-</u>	<u>320,399</u>
Cost of revenues:						
Subscription and maintenance (2)	70,525	(4,055)	66,470	51,049	(3,288)	47,761
Services and other (2)	79,110	(4,745)	74,365	54,777	(4,386)	50,391
Amortization of acquired technology and customer intangible assets (1)	12,008	(12,008)	-	4,402	(4,402)	-
Total cost of revenues	<u>161,643</u>	<u>(20,808)</u>	<u>140,835</u>	<u>110,228</u>	<u>(12,076)</u>	<u>98,152</u>
Gross profit	<u>282,202</u>	<u>20,808</u>	<u>303,010</u>	<u>210,171</u>	<u>12,076</u>	<u>222,247</u>
Operating expenses:						
Sales and marketing (2)	162,120	(27,979)	134,141	114,513	(22,298)	92,215
Research and development (2)	60,468	(8,923)	51,545	46,041	(5,565)	40,476
General and administrative (2) (3) (6)	52,432	(14,644)	37,788	32,824	(8,868)	23,956
Litigation benefit (4)	-	-	-	(7,000)	7,000	-
Amortization of other intangible assets (1)	904	(904)	-	104	(104)	-
Restructuring costs (5)	10,704	(10,704)	-	8,579	(8,579)	-
Total operating expenses	<u>286,628</u>	<u>(63,154)</u>	<u>223,474</u>	<u>195,061</u>	<u>(38,414)</u>	<u>156,647</u>
Operating (loss) income	(4,426)	83,962	79,536	15,110	50,490	65,600
Interest and other income (expense), net	2,039	-	2,039	(617)	-	(617)
(Loss) Income from continuing operations before income taxes	(2,387)	83,962	81,575	14,493	50,490	64,983
Provision for income taxes (3)	596	3,942	4,538	1,268	-	1,268
(Loss) Income from continuing operations	(2,983)	80,020	77,037	13,225	50,490	63,715
Discontinued operations, net of tax:						
(Loss) income from discontinued operations (7)	(2,924)	2,924	-	3,161	(3,161)	-
Gain on sale of discontinued operations (7)	39,164	(39,164)	-	-	-	-
Total discontinued operations	<u>36,240</u>	<u>(36,240)</u>	<u>-</u>	<u>3,161</u>	<u>(3,161)</u>	<u>-</u>
Net income	<u>\$ 33,257</u>	<u>\$ 43,780</u>	<u>\$ 77,037</u>	<u>\$ 16,386</u>	<u>\$ 47,329</u>	<u>\$ 63,715</u>
Basic earnings per share:						
(Loss) Income from continuing operations	\$ (0.03)		\$ 0.84	\$ 0.15		\$ 0.74
Discontinued operations, net of tax	0.39		0.00	0.04		0.00
Net income per basic common share	<u>\$ 0.36</u>		<u>\$ 0.84</u>	<u>\$ 0.19</u>		<u>\$ 0.74</u>
Diluted earnings per share:						
(Loss) Income from continuing operations	\$ (0.03)		\$ 0.81	\$ 0.15		\$ 0.71
Discontinued operations, net of tax	0.38		0.00	0.03		0.00
Net income per diluted common share	<u>\$ 0.35</u>		<u>\$ 0.81</u>	<u>\$ 0.18</u>		<u>\$ 0.71</u>
Weighted average shares - basic	91,212		91,212	86,617		86,617
Weighted average shares - diluted	94,827		94,827	89,221		89,221

Ariba, Inc. and Subsidiaries
Q4 Fiscal 2011 Supplemental Information
(in millions, except for percentages)

	FY 2008				FY2009				FY2010				FY2011			
	2008-Q1	2008-Q2	2008-Q3	2008-Q4	2009-Q1	2009-Q2	2009-Q3	2009-Q4	2010-Q1	2010-Q2	2010-Q3	2010-Q4	2011-Q1	2011-Q2	2011-Q3	2011-Q4
REVENUE ANALYSIS																
Network Software Revenue	4.7	7.4	7.1	6.9	8.2	7.5	7.7	8.6	9.8	9.4	10.7	11.2	13.8	28.6	37.2	40.2
Subscription software revenue	20.8	28.6	30.3	32.6	35.9	36.4	37.9	41.1	41.2	42.3	44.0	46.5	50.2	67.6	76.4	81.5
Purchase accounting adjustment to acquired Procuri contracts	0.4	2.3	1.4	0.9	0.4	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP subscription software revenue	21.2	30.8	31.7	33.5	36.2	36.4	37.9	41.1	41.2	42.3	44.0	46.5	50.2	67.6	76.4	81.5
Subscription software revenue growth rates (Yr/Yr)																
Subscription software revenue	37%	83%	68%	74%	72%	27%	25%	26%	15%	16%	16%	13%	22%	60%	74%	75%
Non-GAAP subscription software revenue	40%	97%	76%	78%	71%	18%	19%	23%	14%	16%	16%	13%	22%	60%	74%	75%
CASH FLOW METRICS																
	Continuing Operations =>															
Cash Flow from Operations	\$ 1.2	\$ 1.5	\$ 8.7	\$ 10.2	\$ 10.8	\$ 16.3	\$ 20.0	\$ 18.8	\$ 10.3	\$ 24.9	\$ 16.3	\$ 10.5	\$ 15.6	\$ 25.9	\$ 22.4	\$ 15.3
Cash used for lease loss (Restructuring Obligations)	4.4	4.5	5.9	4.7	4.7	4.5	4.4	4.3	\$ 4.3	\$ 4.2	\$ 4.3	\$ 4.3	\$ 4.3	\$ 4.0	\$ 4.2	\$ 5.8
Cash used for Procuri-related integration & other severances (Restructuring Obligations)	0.2	1.8	0.8	1.2	1.0	1.7	1.4	0.7	-	-	-	-	-	-	-	-
Cash for Procuri-related M&A activities (Accrued liabilities)	-	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash used for Sky settlement (Prepays, Accrued liabilities)	-	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Received for Emptoris Litigation Judgment	-	-	-	-	-	-	-	-	-	(7.0)	-	-	-	-	-	-
Cash from Operations used for Procuri, Sky, Lease Loss less Emptoris Receipt	4.6	15.3	6.7	5.9	5.7	6.2	5.8	5.0	4.3	(2.8)	4.3	4.3	4.3	4.0	4.2	5.8
Cash Flow from Ops, before Procuri, Sky, Lease Losses & Emptoris Receipt	5.8	16.8	15.4	16.1	16.5	22.5	25.9	23.8	14.6	22.1	20.6	14.8	19.8	29.9	26.6	21.0
Capital Expenditures	0.9	1.8	2.5	2.5	2.3	1.2	1.4	1.8	1.4	4.4	2.0	1.6	2.1	8.3	12.4	5.3
Free Cash Flow	0.3	(0.3)	6.2	7.7	8.6	15.2	18.7	17.0	8.9	20.4	14.3	8.9	13.5	17.6	10.0	10.0
Free Cash Flow, before Procuri, Sky and Lease Losses	4.9	15.0	12.9	13.7	14.3	21.4	24.5	22.0	13.2	17.6	18.6	13.2	17.7	21.6	14.2	15.7



Ariba, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share data)

	Q1 '10 Non-GAAP Reported	Q1 '10 Non-GAAP SMS	Q1 '10 Non-GAAP Continuing Ops	Q2 '10 Non-GAAP Reported	Q2 '10 Non-GAAP SMS	Q2 '10 Non-GAAP Continuing Ops	Q3 '10 Non-GAAP Reported	Q3 '10 Non-GAAP SMS	Q3 '10 Non-GAAP Continuing Ops	Q4 '10 Non-GAAP Reported	Q4 '10 Non-GAAP SMS	Q4 '10 Non-GAAP Continuing Ops	2010 Non-GAAP Reported	2010 Non-GAAP SMS	2010 Non-GAAP Continuing Ops
Revenues:															
Subscription and maintenance	\$ 58,373	\$ -	\$ 58,373	\$ 58,756	\$ -	\$ 58,756	\$ 60,768	\$ -	\$ 60,768	\$ 62,892	\$ -	\$ 62,892	\$ 240,789	\$ -	\$ 240,789
Services and other	27,298	10,479	16,819	28,374	9,822	18,552	32,481	10,243	22,238	32,204	10,203	22,001	120,357	40,747	79,610
Total revenues	85,671	10,479	75,192	87,130	9,822	77,308	93,249	10,243	83,006	95,096	10,203	84,893	361,146	40,747	320,399
Cost of revenues:															
Subscription and maintenance	11,740	-	11,740	11,803	-	11,803	12,270	-	12,270	11,948	-	11,948	47,761	-	47,761
Services and other	18,028	6,766	11,262	18,626	6,498	12,128	20,421	6,792	13,629	20,256	6,884	13,372	77,331	26,940	50,391
Total cost of revenues	29,768	6,766	23,002	30,429	6,498	23,931	32,691	6,792	25,899	32,204	6,884	25,320	125,092	26,940	98,152
Gross profit	55,903	3,713	52,190	56,701	3,324	53,377	60,558	3,451	57,107	62,892	3,319	59,573	236,054	13,807	222,247
Operating expenses:															
Sales and marketing	22,587	1,441	21,146	23,212	1,408	21,804	25,659	1,564	24,095	26,425	1,254	25,171	97,883	5,667	92,216
Research and development	9,769	-	9,769	10,133	-	10,133	10,226	-	10,226	10,348	-	10,348	40,476	-	40,476
General and administrative	6,634	685	5,949	6,420	685	5,735	6,977	684	6,293	6,663	683	5,980	26,694	2,737	23,957
Total operating expenses	38,990	2,126	36,864	39,765	2,093	37,672	42,862	2,248	40,614	43,436	1,937	41,499	165,053	8,404	156,649
Income from operations	16,913	1,587	15,326	16,936	1,231	15,705	17,696	1,203	16,483	19,456	1,382	18,074	71,001	5,403	65,598
Interest and other expense, net	321	44	277	74	(69)	143	(454)	(160)	(294)	(676)	67	(743)	(735)	(118)	(617)
Income before income taxes	17,234	1,631	15,603	17,010	1,162	15,848	17,242	1,043	16,189	18,780	1,449	17,331	70,266	5,285	64,981
Provision for income taxes	55	38	17	515	37	478	423	38	385	425	37	388	1,418	150	1,268
Net income	\$ 17,179	\$ 1,593	\$ 15,586	\$ 16,495	\$ 1,125	\$ 15,370	\$ 16,819	\$ 1,005	\$ 15,814	\$ 18,355	\$ 1,412	\$ 16,943	\$ 68,848	\$ 5,135	\$ 63,713
Net income per share															
Basic	\$ 0.20	\$ 0.02	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.21	\$ 0.02	\$ 0.19	\$ 0.79	\$ 0.06	\$ 0.74
Diluted	\$ 0.19	\$ 0.02	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.17	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.20	\$ 0.02	\$ 0.18	\$ 0.77	\$ 0.06	\$ 0.71
Weighted average shares															
Basic	85,161	85,161	85,161	86,578	86,578	86,578	87,163	87,163	87,163	87,565	87,565	87,565	86,617	86,617	86,617
Diluted	88,262	88,262	88,262	88,753	88,753	88,753	89,336	89,336	89,336	91,868	91,868	91,868	89,221	89,221	89,221

To supplement our financial results presented on a GAAP basis, we use non-GAAP measures of net income and earnings per share, which exclude expenses that we believe are helpful in understanding our past financial performance and prospects for the future, including stock-based compensation associated with stock options and restricted shares issued to executive officers and employees, amortization of intangible assets in connection with our acquisitions, restructuring costs related to lease abandonment accruals, litigation benefit related to a patent infringement judgement, transaction-related costs and release of tax reserves.

