

# Ariba

Supplemental Presentation  
Material for  
Quarter Ending  
September 30, 2009

October 28, 2009



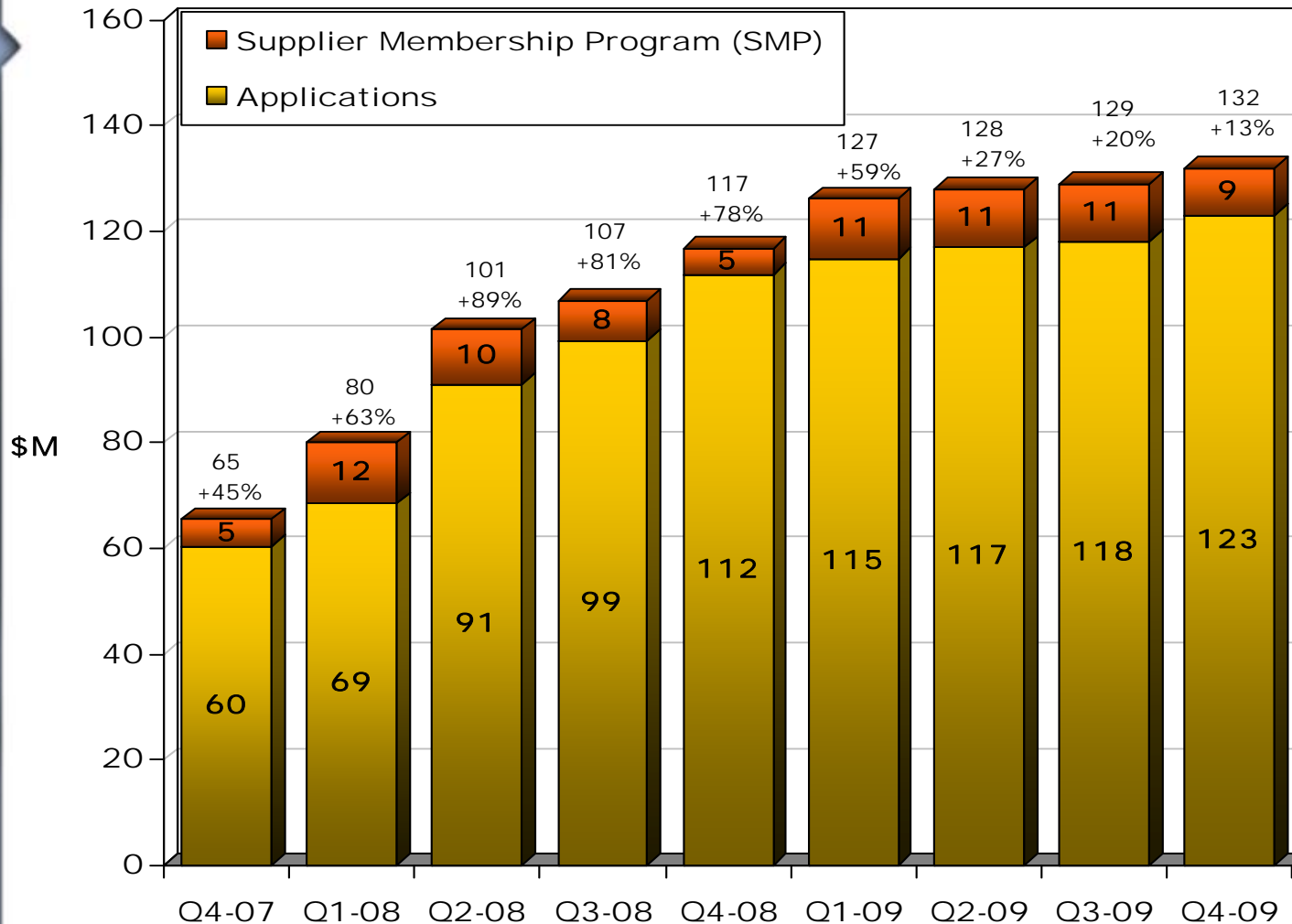
# Ariba Safe Harbor Statement

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. 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 ability to attract and retain qualified employees; difficulties in assimilating acquired companies, 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; the impact of our acquisitions, including 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. 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 August 7<sup>th</sup>, 2009.

During this presentation we may also make statements relating to the Company's real estate forecast, and estimated fiscal 2010 financial results and condition and long term financial model. This forward-looking information involves risks and uncertainties, as well as assumptions, that, if they do not fully materialize or prove correct, could cause actual results to differ materially from the Company's current expectations.

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. This non-GAAP financial information includes a purchase accounting adjustment needed to deferred revenues and generally excludes costs and expenses for (i) amortization of intangible assets related to acquisitions, (ii) stock-based compensation, (iii) restructuring and integration, (iv) litigation provision and (v) other-than-temporary impairment of long-term investments. Management reviews this non-GAAP financial information in evaluating Ariba's historical and projected performance and believes that it may assist investors in assessing its ongoing operations. 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 13% Y/Y Despite Tough Economy



▶ Underlying strategy of Land and Expand is continuing to deliver Volume and Velocity

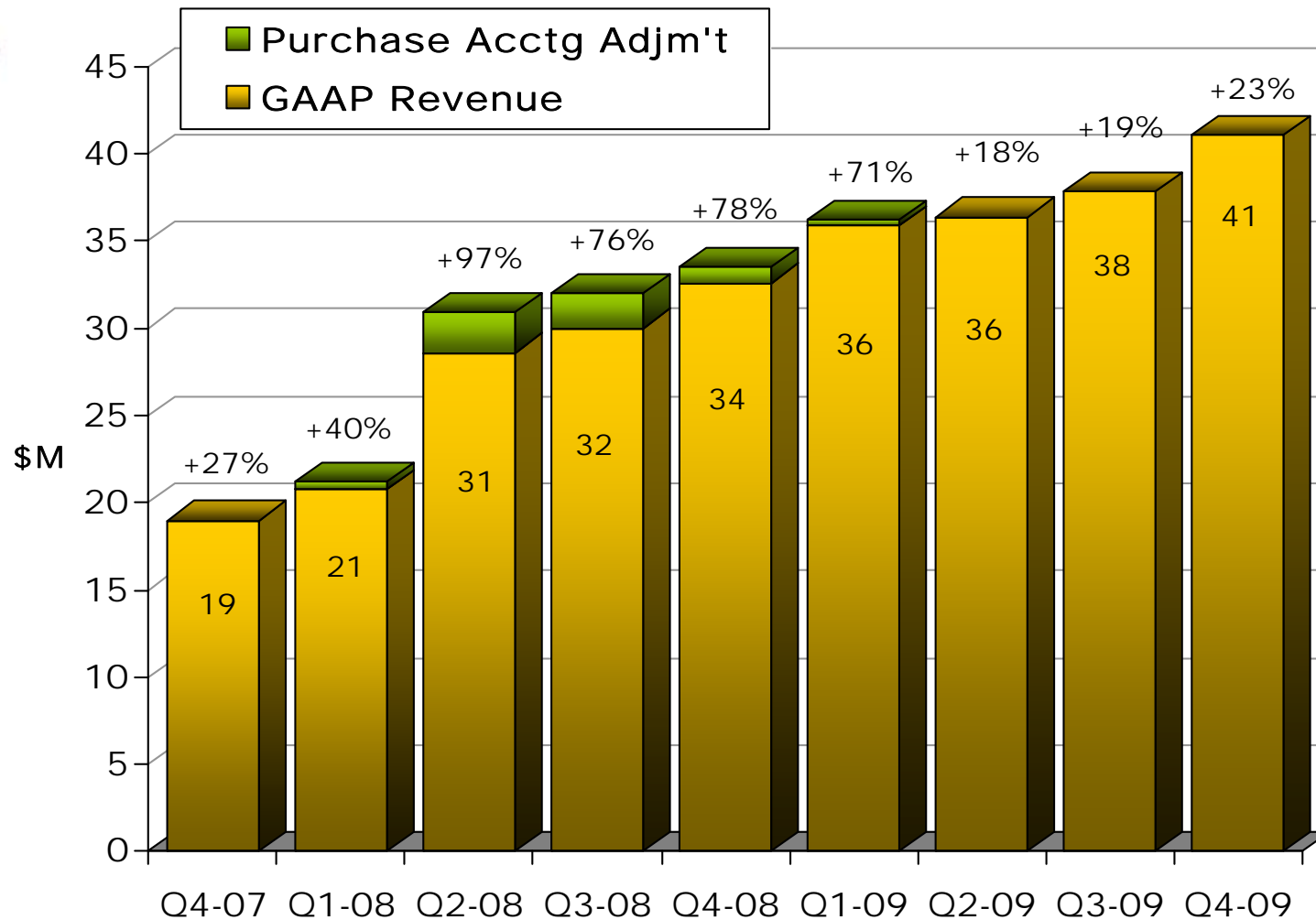
▶ Total Sub SW backlog at 9/30 was \$249M:

- ▶ Up \$6M vs. Q309
- ▶ Up \$13M from Q408

\$15.4M of Annualized and \$34.2M of Total Procuri Sub SW backlog was added in Q2-08  
 Percentages represent Y/Y growth rates



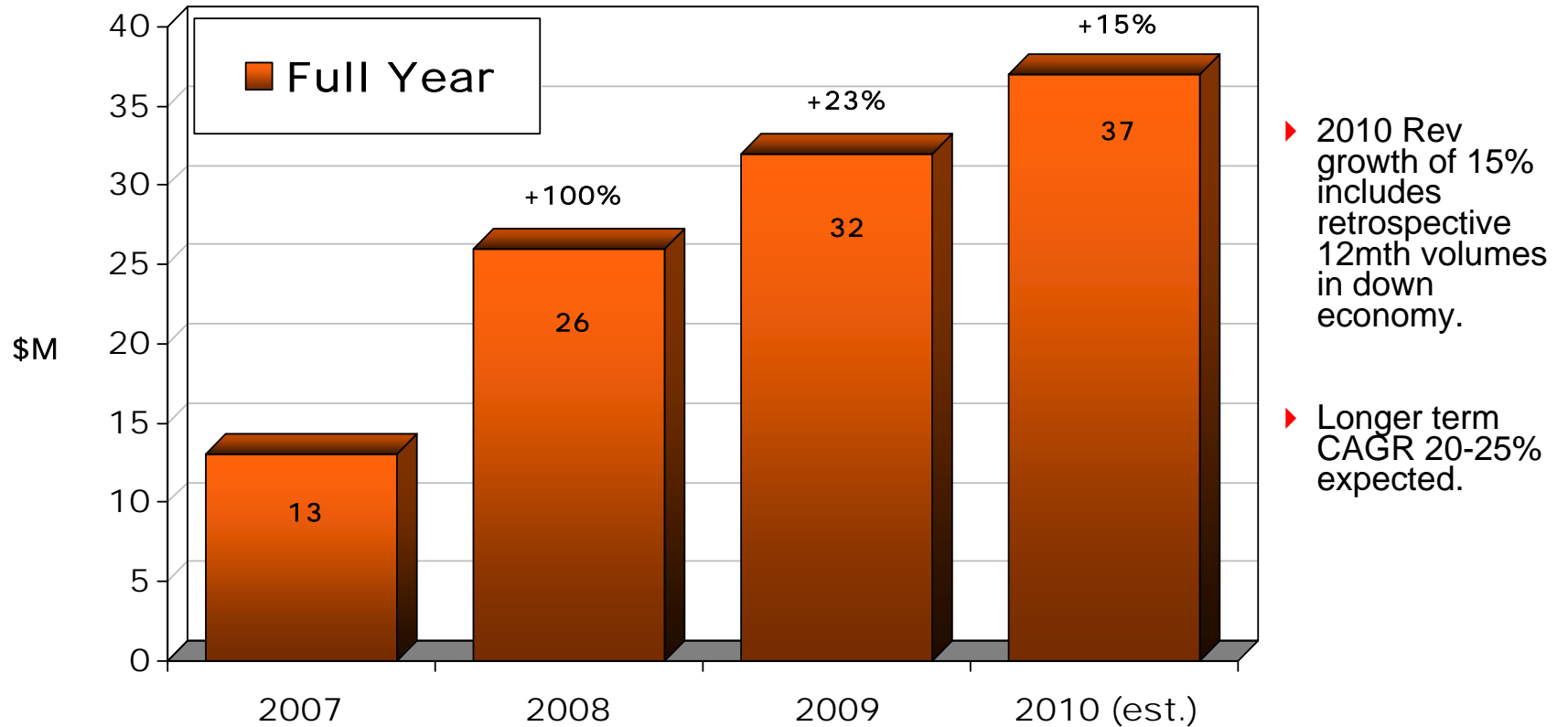
# Non GAAP Sub SW Revenue - Up 23% Y/Y



Q409 has approx \$1.5M of one-time revenue from certain customer expansions

Percentages represent Y/Y growth rates

# Network Software Revenue -- grew 23% in 2009



Notes: Network Subscription Software Revenue is a component of total Subscription Software Revenue and represents network-related software fees paid by suppliers, buyers, and third parties. Percentages represent year-over-year growth rates. Please refer to safe harbor statement.

# Q4 Results vs. July Outlook

	<u>Q3 09 Actual</u>	<u>July Outlook</u>	<u>Q4 09 Actual</u>
Non-GAAP Subscription Software Revenue	37.9M	~39M	41.1M*
Maintenance Revenues	17.5M	~16.5M	16.8M
Services and Other	28.5M	27.5M+/-1M	26.5M
Total Non-GAAP Revenue	83.9M	83M+/-1M	84.3M
Non-GAAP EPS	17¢	15-17¢	18¢

\* Includes one-time revenue of approx \$1.5M from certain customer expansions

## 2009 Results vs. July Outlook

	<u>2008 Actual</u>	<u>July Outlook</u>	<u>2009 Actual</u>	<u>Y/Y</u>
Non-GAAP Subscription Software Revenue	117.3M	~150M	151.6M	+ 29%
Maintenance Revenues	74.9M	~70M	71.0M	- 5%
Services and Other	140.9M	118M+/-1M	116.8M	- 17%
Total Non-GAAP Revenue	333.1M	338M+/-1M	339.3M	+ 2%
Non-GAAP EPS	44¢	68-70¢	71¢	+61%

# FY 2010 Non-GAAP Outlook

	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>2010 Outlook</u>	<u>Vs 2009</u>
Non-GAAP Subscription Software Revenue	117.3M	151.6M	168 - 172M	+12%
Maintenance Revenues	74.9M	71.0M	~ 66M	- 7%
Services & Other	140.9M	116.8M	114 +/- 5M	- 2%
Total Non-GAAP Revenue	333.1M	339.3M	350M +/- 5M	+ 3%
Non-GAAP EPS	44¢	71 ¢	72 - 76 ¢ *	+ 4%

\* Including the start of prudent and gradual investments in the Network and other areas of the business  
Please refer to safe harbor statement

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# FY 2010 Cash-Flow Outlook

	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>2010 Outlook</u>
Cash Flow from Operations before lease-losses, Sky and Procuri/Restructuring	57M	89M	70-80M
Sky & Procuri/Restructuring	-15M	-5M	-
Lease-loss payments	-20M	-18M	-18M
Cash Flow from Operations	22M	66M	52-62M

Notes: Capital Expenditures were \$8M & \$7M in 2008 and 2009, respectively and are anticipated to be approximately \$8-9M in 2010.  
Please see Safe Harbor statement.

# Supplemental Information: Real Estate

# Quarterly Real Estate Lease Loss Impact

- ▶ The Ariba Sunnyvale campus has 4 buildings and each building has 4 floors. 4 floors are currently vacant.
- ▶ As of 9/30/09, \$49.0M is reserved on the balance sheet for lease loss.

<b>\$M</b>	<b><u>1Q '10</u></b>	<b><u>2Q '10</u></b>	<b><u>3Q '10</u></b>	<b><u>4Q '10</u></b>	<b><u>FY11</u></b>	<b><u>FY12</u></b>	<b><u>FY13</u></b>	<b><u>Total</u></b>
<b>Per Period</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.7</b>	<b>13.2</b>	<b>13.2</b>	<b>4.7</b>	<b>49.0</b>
<b>Quarterly Average</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3.7</b>

- ▶ The “Per Period” amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$49.0M real estate lease loss restructuring reserve.
- ▶ In the worst case that no new leases get signed and we just see out the existing sub-tenant contracts for current abandoned space then the lease loss would be ~\$9M higher than shown for the remainder of the term.

# **Supplemental Information: Cash, Restricted Cash & Investments**

# Cash, Restricted Cash & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 9/30/2009</u>
Cash, Cash Equiv & S/T	Current Asset	0.5%	\$143M
Restricted Cash	Non-Current Asset	0.5%	29M
Long-term Investments	Non-Current Asset	1.2%*	<u>23M</u>
Total Cash, Restricted Cash and Investments		0.6%*	\$195M

Auction rate securities with an estimated fair value of \$18M are included in Long-term Investments above. With neutral to better market fundamentals and stable credit ratings, no further adjustments to fair value have been made on the ARS investment portfolio since Q1 09. The realized and unrealized loss totals \$5.5M.

\* 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)

	<u>September 30,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 130,881	\$ 86,804
Short-term investments	12,169	-
Accounts receivable, net	19,660	28,968
Prepaid expenses and other current assets	<u>11,235</u>	<u>7,859</u>
Total current assets	173,945	123,631
Property and equipment, net	14,418	19,773
Long-term investments	23,155	20,525
Restricted cash, less current portion	29,241	29,641
Goodwill	406,507	406,507
Other intangible assets, net	17,660	23,965
Other assets	<u>3,245</u>	<u>3,419</u>
Total assets	<u>\$ 668,171</u>	<u>\$ 627,461</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,758	\$ 12,202
Accrued compensation and related liabilities	29,010	21,480
Accrued liabilities	17,010	15,677
Restructuring obligations	17,964	19,925
Deferred revenue	<u>101,172</u>	<u>95,519</u>
Total current liabilities	172,914	164,803
Deferred rent obligations	14,539	18,174
Restructuring obligations, less current portion	31,098	41,121
Deferred revenue, less current portion	9,288	6,396
Other long-term liabilities	<u>6,281</u>	<u>5,949</u>
Total liabilities	234,120	236,443
Stockholders' equity:		
Common stock	179	174
Additional paid-in capital	5,189,566	5,154,137
Accumulated other comprehensive loss	(3,688)	(3,094)
Accumulated deficit	<u>(4,752,006)</u>	<u>(4,760,199)</u>
Total stockholders' equity	434,051	391,018
Total liabilities and stockholders' equity	<u>\$ 668,171</u>	<u>\$ 627,461</u>

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,	
	2009	2008	2009	2008
<b>Revenues:</b>				
Subscription and maintenance	\$ 57,858	\$ 51,048	\$ 222,206	\$ 187,150
Services and other	26,460	34,484	116,766	140,910
Total revenues	<u>84,318</u>	<u>85,532</u>	<u>338,972</u>	<u>328,060</u>
<b>Cost of revenues:</b>				
Subscription and maintenance	12,269	10,665	47,907	40,088
Services and other	18,592	21,865	75,465	94,189
Amortization of acquired technology and customer intangible assets	1,387	1,388	5,550	14,257
Total cost of revenues	<u>32,248</u>	<u>33,918</u>	<u>128,922</u>	<u>148,534</u>
Gross profit	<u>52,070</u>	<u>51,614</u>	<u>210,050</u>	<u>179,526</u>
<b>Operating expenses:</b>				
Sales and marketing	24,720	27,608	103,739	110,834
Research and development	11,341	11,392	43,483	52,270
General and administrative	10,173	11,909	43,289	48,919
Other income - Softbank	-	-	-	(566)
Insurance reimbursement	-	-	(7,527)	-
Amortization of other intangible assets	125	210	755	739
Restructuring and integration costs	-	6,274	10,837	10,108
Litigation provision	-	-	-	5,900
Total operating expenses	<u>46,359</u>	<u>57,393</u>	<u>194,576</u>	<u>228,204</u>
Income (loss) from operations	5,711	(5,779)	15,474	(48,678)
Interest and other (expense) income, net	(35)	(201)	(6,055)	8,359
Income (loss) before income taxes	5,676	(5,980)	9,419	(40,319)
Provision for income taxes	68	77	1,226	743
Net income (loss)	<u>\$ 5,608</u>	<u>\$ (6,057)</u>	<u>\$ 8,193</u>	<u>\$ (41,062)</u>
Net income (loss) per share - basic	\$ 0.07	\$ (0.08)	\$ 0.10	\$ (0.53)
Net income (loss) per share - diluted	\$ 0.06	\$ (0.08)	\$ 0.10	\$ (0.53)
Weighted average shares - basic	84,124	79,835	82,733	77,318
Weighted average shares - diluted	87,561	79,835	85,424	77,318

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

	Three Months Ended September 30,		Year Ended September 30,	
	2009	2008	2009	2008
Operating activities:				
Net income (loss)	\$ 5,608	\$ (6,058)	\$ 8,193	\$ (41,062)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
(Benefit) provision for doubtful accounts	(5)	396	1,378	506
Depreciation	1,884	2,013	7,661	7,903
Amortization of intangible assets	1,512	1,598	6,305	14,996
Stock-based compensation	8,679	9,989	33,941	40,859
Restructuring costs	-	6,274	10,837	10,108
Other-than-temporary impairment of long-term investments	-	-	1,414	-
Impairment of property and equipment	-	-	4,277	-
Changes in operating assets and liabilities:				
Accounts receivable	2,941	(691)	7,930	3,609
Prepaid expense and other assets	631	584	(3,094)	5,948
Accounts payable	199	914	(4,485)	1,225
Accrued compensation and related liabilities	8,359	184	7,486	(3,687)
Accrued liabilities	(257)	(714)	(1,910)	(7,914)
Deferred income - Softbank	-	-	-	(566)
Deferred revenue	(5,712)	1,633	8,857	13,258
Restructuring obligations	(5,030)	(5,946)	(22,821)	(23,592)
Net cash provided by operating activities	<u>18,809</u>	<u>10,176</u>	<u>65,969</u>	<u>21,591</u>
Investing activities:				
Cash paid for acquisitions, net of cash acquired	-	-	-	(55,638)
Purchases of property and equipment	(1,828)	(2,463)	(6,583)	(7,657)
Purchases of investments, net of sales	458	778	(16,822)	68,185
Allocation from restricted cash, net	-	287	400	1,022
Net cash (used in) provided by investing activities	<u>(1,370)</u>	<u>(1,398)</u>	<u>(23,005)</u>	<u>5,912</u>
Financing activities:				
Proceeds from issuance of common stock, net	1,759	2,658	4,113	6,394
Repurchase of common stock	(231)	(2,689)	(2,620)	(7,203)
Net cash provided by (used in) financing activities	<u>1,528</u>	<u>(31)</u>	<u>1,493</u>	<u>(809)</u>
Effect of exchange rates on cash and cash equivalents	(272)	(488)	(380)	(1,201)
Net change in cash and cash equivalents	18,695	8,259	44,077	25,493
Cash and cash equivalents at beginning of period	112,186	78,545	86,804	61,311
Cash and cash equivalents at end of period	<u>\$ 130,881</u>	<u>\$ 86,804</u>	<u>\$ 130,881</u>	<u>\$ 86,804</u>

# Non-GAAP Financial Measures

The accompanying press release dated September 30, 2009 contains non-GAAP financial measures.

The following table reconciles the non-GAAP financial measures in the press release to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures include non-GAAP revenues, non-GAAP cost of revenues, gross profit, operating expenses, income (loss) from operations, net income (loss) and net income (loss) per share amounts.

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 a purchase accounting adjustment, costs 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 a purchase accounting adjustment and costs 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:

	<u>Three Months Ended September 30, 2009</u>	<u>Three Months Ended September 30, 2008</u>
<b>Revenue reconciliation:</b>		
GAAP revenue	\$ 84,318	\$ 85,532
Purchase accounting adjustment	-	904
Total non-GAAP revenues	<u>\$ 84,318</u>	<u>\$ 86,436</u>
<b>Expense reconciliation:</b>		
GAAP revenue	\$ 84,318	\$ 85,532
Less: GAAP net income (loss)	<u>5,608</u>	<u>(6,057)</u>
Total GAAP expenses	78,710	91,589
Amortization of intangible assets	(1,512)	(1,598)
Stock-based compensation	(8,679)	(9,989)
Restructuring and integration	-	(6,274)
Total non-GAAP operating expenses	<u>\$ 68,519</u>	<u>\$ 73,728</u>
<b>Net income (loss) reconciliation:</b>		
GAAP net income (loss)	\$ 5,608	\$ (6,057)
Purchase accounting adjustment	-	904
Amortization of intangible assets	1,512	1,598
Stock-based compensation	8,679	9,989
Restructuring and integration	-	6,274
Non-GAAP net income	<u>\$ 15,799</u>	<u>\$ 12,708</u>
<b>Net income (loss) per share reconciliation:</b>		
GAAP net income (loss) per share - basic	\$ 0.07	\$ (0.08)
Purchase accounting adjustment	-	0.01
Amortization of intangible assets	0.02	0.02
Stock-based compensation	0.10	0.13
Restructuring and integration	-	0.08
Non-GAAP net income per share - basic	<u>\$ 0.19</u>	<u>\$ 0.16</u>
Non-GAAP net income per share - diluted	\$ 0.18	\$ 0.15
Weighted average shares - basic	84,124	79,835
Weighted average shares - diluted	87,561	85,033

**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, 2009	Year Ended September 30, 2008
<b>Revenue reconciliation:</b>		
GAAP revenue	\$ 338,972	\$ 328,060
Purchase accounting adjustment	355	5,007
Total non-GAAP revenues	<u>\$ 339,327</u>	<u>\$ 333,067</u>
<b>Expense reconciliation:</b>		
GAAP revenue	\$ 338,972	\$ 328,060
Less: GAAP net income (loss)	8,193	(41,062)
Total GAAP expenses	<u>330,779</u>	<u>369,122</u>
Amortization of intangible assets	(6,305)	(14,996)
Stock-based compensation	(33,941)	(40,859)
Restructuring and integration	(10,837)	(10,108)
Litigation provision	-	(5,900)
Other-than-temporary impairment of long-term investment	(1,414)	-
Total non-GAAP operating expenses	<u>\$ 278,282</u>	<u>\$ 297,259</u>
<b>Net income (loss) reconciliation:</b>		
GAAP net income (loss)	\$ 8,193	\$ (41,062)
Purchase accounting adjustment	355	5,007
Amortization of intangible assets	6,305	14,996
Stock-based compensation	33,941	40,859
Restructuring and integration	10,837	10,108
Litigation provision	-	5,900
Other-than-temporary impairment of long-term investment	1,414	-
Non-GAAP net income	<u>\$ 61,045</u>	<u>\$ 35,808</u>
<b>Net (loss) income per share reconciliation:</b>		
GAAP net income (loss) per share - basic	\$ 0.10	\$ (0.53)
Purchase accounting adjustment	0.00	0.06
Amortization of intangible assets	0.08	0.19
Stock-based compensation	0.41	0.53
Restructuring and integration	0.13	0.13
Litigation provision	-	0.08
Other-than-temporary impairment of long-term investment	0.02	-
Non-GAAP net income per share - basic	<u>\$ 0.74</u>	<u>\$ 0.46</u>
Non-GAAP net income per share - diluted	\$ 0.71	\$ 0.44
Weighted average shares - basic	82,733	77,318
Weighted average shares - diluted	85,424	82,250

**Ariba, Inc. and Subsidiaries**  
**Q4 Fiscal 2009 Supplemental Information**  
(in millions, except for percentages)

	FY 2007				FY 2008				FY2009			
	2007-Q1	2007-Q2	2007-Q3	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4	2009-Q1	2009-Q2	2009-Q3	2009-Q4
<b>REVENUE ANALYSIS</b>												
Perpetual license revenue	\$ 4.6	4.3	2.7	5.0	2.4	1.4	1.5	0.6	0.8	0.4	0.9	0.2
Network Software Revenue	2.7	3.3	3.7	3.7	4.7	7.4	7.1	6.9	8.2	7.5	7.7	8.6
Subscription software revenue	\$ 15.2	15.7	18.0	18.8	20.8	28.6	30.3	32.6	35.9	36.4	37.9	41.1
Purchase accounting adjustment to acquired Procuri contracts					0.4	2.3	1.4	0.9	0.4	-	-	-
<b>Non-GAAP subscription software revenue</b>	<b>\$ 15.2</b>	<b>15.7</b>	<b>18.0</b>	<b>18.8</b>	<b>21.2</b>	<b>30.8</b>	<b>31.7</b>	<b>33.5</b>	<b>36.2</b>	<b>36.4</b>	<b>37.9</b>	<b>41.1</b>
<b>Subscription software revenue growth rates (Yr/Yr)</b>												
Subscription software revenue	18%	15%	29%	27%	37%	83%	68%	74%	72%	27%	25%	26%
Non-GAAP subscription software revenue	18%	15%	29%	27%	40%	97%	76%	78%	71%	18%	19%	23%
<b>CASH FLOW METRICS</b>												
<b>Cash Flow from Operations</b>	<b>\$ 4.5</b>	<b>\$ 2.5</b>	<b>\$ 2.9</b>	<b>\$ 6.6</b>	<b>\$ 1.2</b>	<b>\$ 1.5</b>	<b>\$ 8.7</b>	<b>\$ 10.2</b>	<b>\$ 10.8</b>	<b>\$ 16.3</b>	<b>\$ 20.0</b>	<b>\$ 18.8</b>
Cash used for lease loss (Restructuring Obligations)	3.5	7.8	2.3	5.4	4.4	4.5	5.9	4.7	4.7	4.5	4.4	4.3
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 from Operations used for Procuri, Sky and Lease Loss	3.5	7.8	2.3	5.4	4.6	15.3	6.7	5.9	5.7	6.2	5.8	5.0
<b>Cash Flow from Ops, before Procuri, Sky and Lease Losses</b>	<b>8.0</b>	<b>10.3</b>	<b>5.2</b>	<b>12.0</b>	<b>5.8</b>	<b>16.8</b>	<b>15.4</b>	<b>16.1</b>	<b>16.5</b>	<b>22.5</b>	<b>25.9</b>	<b>23.8</b>
Capital Expenditures	1.2	1.8	2.2	2.3	0.9	1.8	2.5	2.5	2.3	1.2	1.4	1.8
<b>Free Cash Flow</b>	<b>3.3</b>	<b>0.7</b>	<b>0.7</b>	<b>4.3</b>	<b>0.3</b>	<b>(0.3)</b>	<b>6.2</b>	<b>7.7</b>	<b>8.6</b>	<b>15.2</b>	<b>18.7</b>	<b>17.0</b>
<b>Free Cash Flow, before Procuri, Sky and Lease Losses</b>	<b>6.8</b>	<b>8.5</b>	<b>3.0</b>	<b>9.7</b>	<b>4.9</b>	<b>15.0</b>	<b>12.9</b>	<b>13.7</b>	<b>14.3</b>	<b>21.4</b>	<b>24.5</b>	<b>22.0</b>

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,		
	2009 Reported	Adj	2009 Non- GAAP	2008 Reported	Adj	2008 Non- GAAP
<b>Revenues:</b>						
Subscription and maintenance (1)	\$ 57,858	\$ -	\$ 57,858	\$ 51,048	\$ 904	\$ 51,952
Services and other	26,460	-	26,460	34,484	-	34,484
Total revenues	<u>84,318</u>	<u>-</u>	<u>84,318</u>	<u>85,532</u>	<u>904</u>	<u>86,436</u>
<b>Cost of revenues:</b>						
Subscription and maintenance (3)	12,269	(672)	11,597	10,665	(584)	10,081
Services and other (3)	18,592	(997)	17,595	21,865	(1,216)	20,649
Amortization of acquired technology and customer intangible assets (2)	1,387	(1,387)	-	1,388	(1,388)	-
Total cost of revenues	<u>32,248</u>	<u>(3,056)</u>	<u>29,192</u>	<u>33,918</u>	<u>(3,188)</u>	<u>30,730</u>
Gross profit	<u>52,070</u>	<u>3,056</u>	<u>55,126</u>	<u>51,614</u>	<u>4,092</u>	<u>55,706</u>
<b>Operating expenses:</b>						
Sales and marketing (3)	24,720	(3,222)	21,498	27,608	(3,929)	23,679
Research and development (3)	11,341	(1,180)	10,161	11,392	(1,636)	9,756
General and administrative (3)	10,173	(2,608)	7,565	11,909	(2,624)	9,285
Amortization of other intangible assets (2)	125	(125)	-	210	(210)	-
Restructuring and integration (4)	-	-	-	6,274	(6,274)	-
Total operating expenses	<u>46,359</u>	<u>(7,135)</u>	<u>39,224</u>	<u>57,393</u>	<u>(14,673)</u>	<u>42,720</u>
Income (loss) from operations	5,711	10,191	15,902	(5,779)	18,765	12,986
Interest and other (expense) income, net	(35)	-	(35)	(201)	-	(201)
Income (loss) before income taxes	5,676	10,191	15,867	(5,980)	18,765	12,785
Provision for income taxes	68	-	68	77	-	77
Net income (loss)	<u>\$ 5,608</u>	<u>\$ 10,191</u>	<u>\$ 15,799</u>	<u>\$ (6,057)</u>	<u>\$ 18,765</u>	<u>\$ 12,708</u>
<b>Net income (loss) per share</b>						
Basic	\$ 0.07		\$ 0.19	\$ (0.08)		\$ 0.16
Diluted	\$ 0.06		\$ 0.18	\$ (0.08)		\$ 0.15
<b>Weighted average shares</b>						
Basic	84,124		84,124	79,835		79,835
Diluted	87,561		87,561	79,835		85,033

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

	Year Ended September 30,			Year Ended September 30,		
	2009 Reported	Adj	2009 Non- GAAP	2008 Reported	Adj	2008 Non- GAAP
<b>Revenues:</b>						
Subscription and maintenance (1)	\$ 222,206	\$ 355	\$ 222,561	\$ 187,150	\$ 5,007	\$ 192,157
Services and other	116,766	-	116,766	140,910	-	140,910
Total revenues	<u>338,972</u>	<u>355</u>	<u>339,327</u>	<u>328,060</u>	<u>5,007</u>	<u>333,067</u>
<b>Cost of revenues:</b>						
Subscription and maintenance (3)	47,907	(2,405)	45,502	40,088	(2,262)	37,826
Services and other (3)	75,465	(3,715)	71,750	94,189	(5,758)	88,431
Amortization of acquired technology and customer intangible assets (2)	5,550	(5,550)	-	14,257	(14,257)	-
Total cost of revenues	<u>128,922</u>	<u>(11,670)</u>	<u>117,252</u>	<u>148,534</u>	<u>(22,277)</u>	<u>126,257</u>
Gross profit	<u>210,050</u>	<u>12,025</u>	<u>222,075</u>	<u>179,526</u>	<u>27,284</u>	<u>206,810</u>
<b>Operating expenses:</b>						
Sales and marketing (3)	103,739	(13,511)	90,228	110,834	(15,915)	94,919
Research and development (3)	43,483	(4,825)	38,658	52,270	(6,226)	46,044
General and administrative (3)	43,289	(9,485)	33,804	48,919	(10,698)	38,221
Other income - Softbank	-	-	-	(566)	-	(566)
Insurance reimbursement	(7,527)	-	(7,527)	-	-	-
Amortization of other intangible assets (2)	755	(755)	-	739	(739)	-
Restructuring and integration (4)	10,837	(10,837)	-	10,108	(10,108)	-
Litigation provision (5)	-	-	-	5,900	(5,900)	-
Total operating expenses	<u>194,576</u>	<u>(39,413)</u>	<u>155,163</u>	<u>228,204</u>	<u>(49,586)</u>	<u>178,618</u>
Income (loss) from operations	15,474	51,438	66,912	(48,678)	76,870	28,192
Interest and other (expense) income, net (6)	(6,055)	1,414	(4,641)	8,359	-	8,359
Income (loss) before income taxes	9,419	52,852	62,271	(40,319)	76,870	36,551
Provision for income taxes	1,226	-	1,226	743	-	743
Net income (loss)	<u>\$ 8,193</u>	<u>\$ 52,852</u>	<u>\$ 61,045</u>	<u>\$ (41,062)</u>	<u>\$ 76,870</u>	<u>\$ 35,808</u>
<b>Net income (loss) per share</b>						
Basic	\$ 0.10		\$ 0.74	\$ (0.53)		\$ 0.46
Diluted	\$ 0.10		\$ 0.71	\$ (0.53)		\$ 0.44
<b>Weighted average shares</b>						
Basic	82,733		82,733	77,318		77,318
Diluted	85,424		85,424	77,318		82,250

## Discussion of Specific Items Excluded From Non-GAAP Financial Measures

Our non-GAAP financial measures include a purchase accounting adjustment related to deferred revenues and generally exclude costs and expenses for (i) amortization of intangible assets related to acquisitions, (ii) stock-based compensation, (iii) restructuring and integration, (iv) litigation provision and (v) other-than-temporary impairment of long-term investments. 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 costs and expenses related to restructuring and integration, these items are non-cash items that do not affect cash flows.

(1) Purchase accounting adjustment – deferred revenue. As announced on December 17, 2007, Ariba acquired Procuri, Inc. In accordance with the fair value provisions of EITF 01-3, Accounting in a Business Combination for Deferred Revenue of an Acquiree, acquired deferred revenue of approximately \$4.5 million was recorded on the opening balance sheet, which was approximately \$5.9 million lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's reported GAAP revenue primarily for the first twelve months post-acquisition. In order to provide investors with financial information that facilitates comparison of both historical and future results, the Company has provided non-GAAP financial measures which exclude the impact of the purchase accounting adjustment. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to (a) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making and (b) compare past and future reports of financial results of the Company as the revenue reduction related to acquired deferred revenue will not recur when related subscription terms are renewed in future periods.

(2) 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.

(3) 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.

(4) Restructuring and integration. We recorded restructuring related to lease abandonment accruals and/(or) severance and related benefits in the year ended September 30, 2009 and the three months and year ended September 30, 2008. We exclude this from our non-GAAP financial measures because it is unrelated to our ongoing operations and is significantly impacted by factors outside our control. We believe excluding restructuring and integration helps investors compare our operating performance with that of other companies. We recognize, however, that restructuring and integration will impact cash flows and that we and investors should carefully consider the impact of these costs on future cash flows.

(5) Litigation provision. We recorded a litigation provision related to a patent infringement matter in the year ended September 30, 2008. We exclude this from our non-GAAP financial measures because it is unrelated to our ongoing operations. We believe excluding the litigation provision helps investors compare our operating performance with that of other companies. We recognize, however, that the litigation provision will impact cash flows and that we and investors should carefully consider the impact of these costs on future cash flows.

(6) Other-than-temporary impairment of long-term investments. We recorded an other-than temporary impairment of a long-term investment in the year ended September 30, 2009. We exclude this from our non-GAAP financial measures because it is unrelated to our ongoing operations. We believe excluding the other-than-temporary impairment helps investors compare our operating performance with that of other companies. We recognize, however, that the other-than-temporary impairment may impact cash flows and that we and investors should carefully consider the impact of these costs on future cash flows.

**Ariba, Inc. and Subsidiaries**  
**Reconciliation of Outlook for the Quarter Ending December 31, 2009**  
(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, 2009	
	Low	High
<u>Projected revenue:</u>	\$ 84,000	\$ 86,000
	Range for the Three Months Ending December 31, 2009	
	Low	High
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	\$ 81,900	\$ 83,100
Amortization of intangible assets	(1,500)	(1,500)
Stock-based compensation	(11,000)	(12,000)
Non-GAAP projected total expenses	<u>\$ 69,400</u>	<u>\$ 69,600</u>
	Range for the Three Months Ending December 31, 2009	
	Low	High
<u>Projected net income reconciliation:</u>		
GAAP projected net income	\$ 2,100	\$ 2,900
Amortization of intangible assets	1,500	1,500
Stock-based compensation	11,000	12,000
Non-GAAP projected net income	<u>\$ 14,600</u>	<u>\$ 16,400</u>
	Range for the Three Months Ending December 31, 2009	
	Low	High
<u>Projected net income per share reconciliation:</u>		
GAAP projected net income per share - basic	\$ 0.02	\$ 0.03
Amortization of intangible assets	0.02	0.02
Stock-based compensation	0.13	0.14
Non-GAAP projected net income per share - basic	<u>\$ 0.17</u>	<u>\$ 0.19</u>
Non-GAAP projected net income per share - diluted	\$ 0.17	\$ 0.19
Projected weighted average shares - basic	85,300	85,300
Projected weighted average shares - diluted	88,100	88,100

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**Ariba, Inc. and Subsidiaries**  
**Q4 Fiscal 2009 Supplemental Information**  
(in millions, except for percentages)

**Analysis of Other Income/(Expenditure) & Calculation of Operating Profit %**

\$M		FY2008 Actual	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	FY2009 Actual
<b>Non-GAAP Revenue</b>		<u>333.1</u>	<u>86.4</u>	<u>84.7</u>	<u>83.9</u>	<u>84.3</u>	<u>339.3</u>
<b>NG Profit Before Other Income/(Exp)</b>	(A)	27.6	14.4	13.8	15.2	15.9	59.4
<b>%</b>		8%	17%	16%	18%	19%	18%
<b>Other Income/(Exp) :</b>							
<b>FX Gain/(Loss) :</b>							
Contract Mark to Market (Profit)/Loss (1)	(B)	3.0	(1.5)	(1.2)	(1.1)	(0.3)	(4.1)
Bal Sheet Retranslation Loss (2)		-	(2.6)	-	-	-	(2.6)
<b>Interest</b>		5.0	0.7	0.4	0.3	0.3	1.6
<b>Tax/Other</b>		0.2	(0.5)	(0.3)	0.2	(0.1)	(0.8)
<b>Insurance Reimbursement</b>			7.5	-			7.5
<b>Total Other Income/(Exp)</b>		<u>8.2</u>	<u>3.6</u>	<u>(1.2)</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>1.7</u>
<b>Non-GAAP Profit</b>		<u>35.8</u>	<u>18.0</u>	<u>12.7</u>	<u>14.6</u>	<u>15.8</u>	<u>61.0</u>
<b>Diluted Shares</b>		82,250	84,044	84,645	85,447	87,561	85,424
<b>EPS</b>		0.44	0.21	0.15	0.17	0.18	0.71
<b>NG Op Profit incl Contract Mark to Market FX = (A) + (B)</b>		<u>30.6</u>	<u>12.9</u>	<u>12.6</u>	<u>14.1</u>	<u>15.6</u>	<u>55.3</u>
<b>NG Op Profit % (Recommended)</b>		<u>9%</u>	<u>15%</u>	<u>15%</u>	<u>17%</u>	<u>19%</u>	<u>16%</u>

**Notes :**

(1) Ariba schedules revenue using FX rates at time of contract. The difference between this and FX rate at time of invoice is recognized as a Contract Mark to Market FX Gain/(Loss) Ariba recommends including Contract Mark to Mark (Profit)/Loss within Operating Profit as these gains/(losses) are ongoing, operating in nature and approximately map to increases/(decreases) in Regional expenses (creating a "quasi" natural hedge).

(2) Ariba recommends excluding Bal Sheet Retranslation Losses from Operating Profit as these are point in time adjustments impacting A/R and Cash resulting from currency jolts. These should not recur with high magnitude every quarter and our go forward hedging strategy should limit these adjustments.

Please refer to safe harbor statement

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