

# *Ariba*

Supplemental Presentation  
Material for  
Quarter Ending  
March 31, 2009

April 30, 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 February 6<sup>th</sup>, 2009.

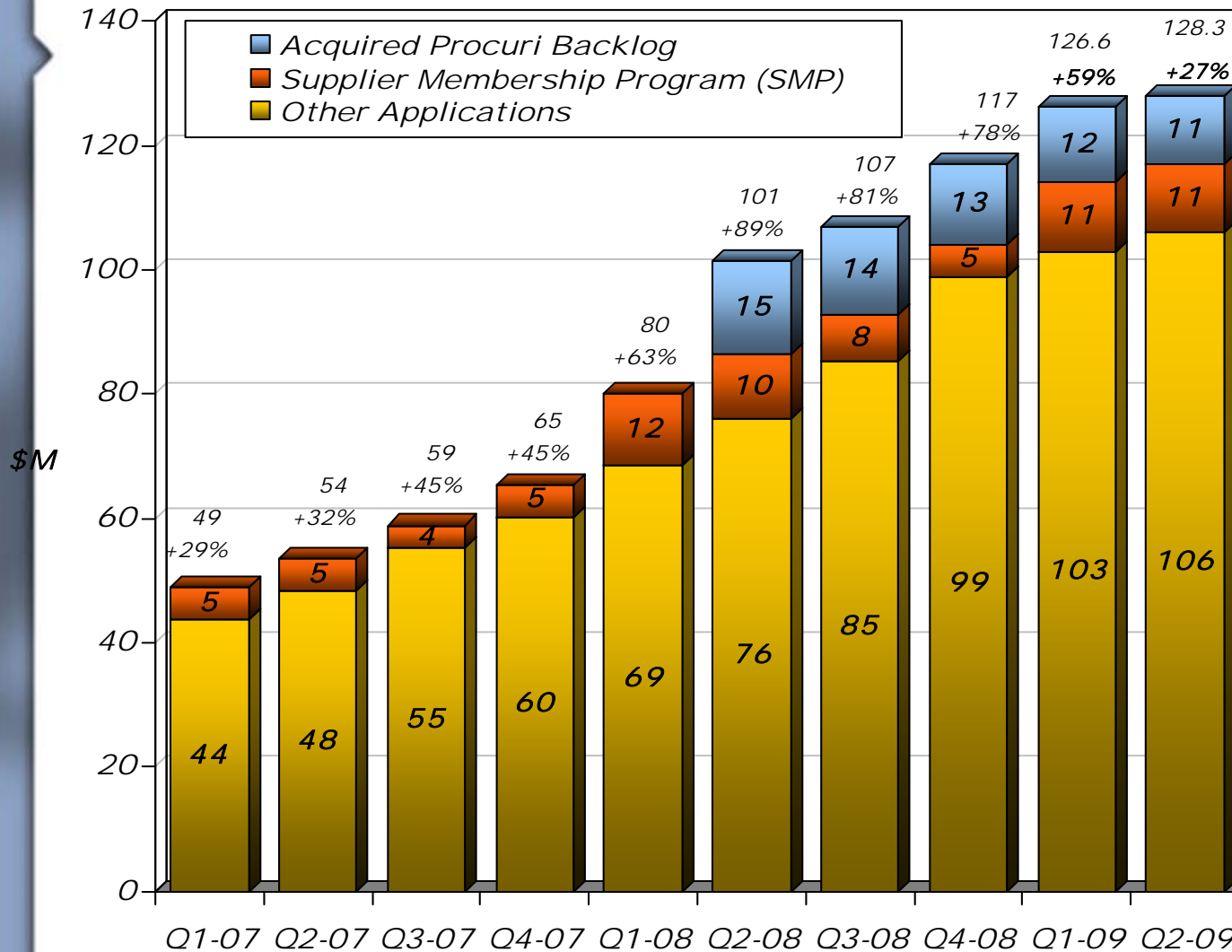
During this presentation we may also make statements relating to the Company's real estate forecast, and estimated fiscal 2009 financial results and condition and long term financial model. This forward-looking information involves risks and uncertainties, as well as assumptions, that, if they do not 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.

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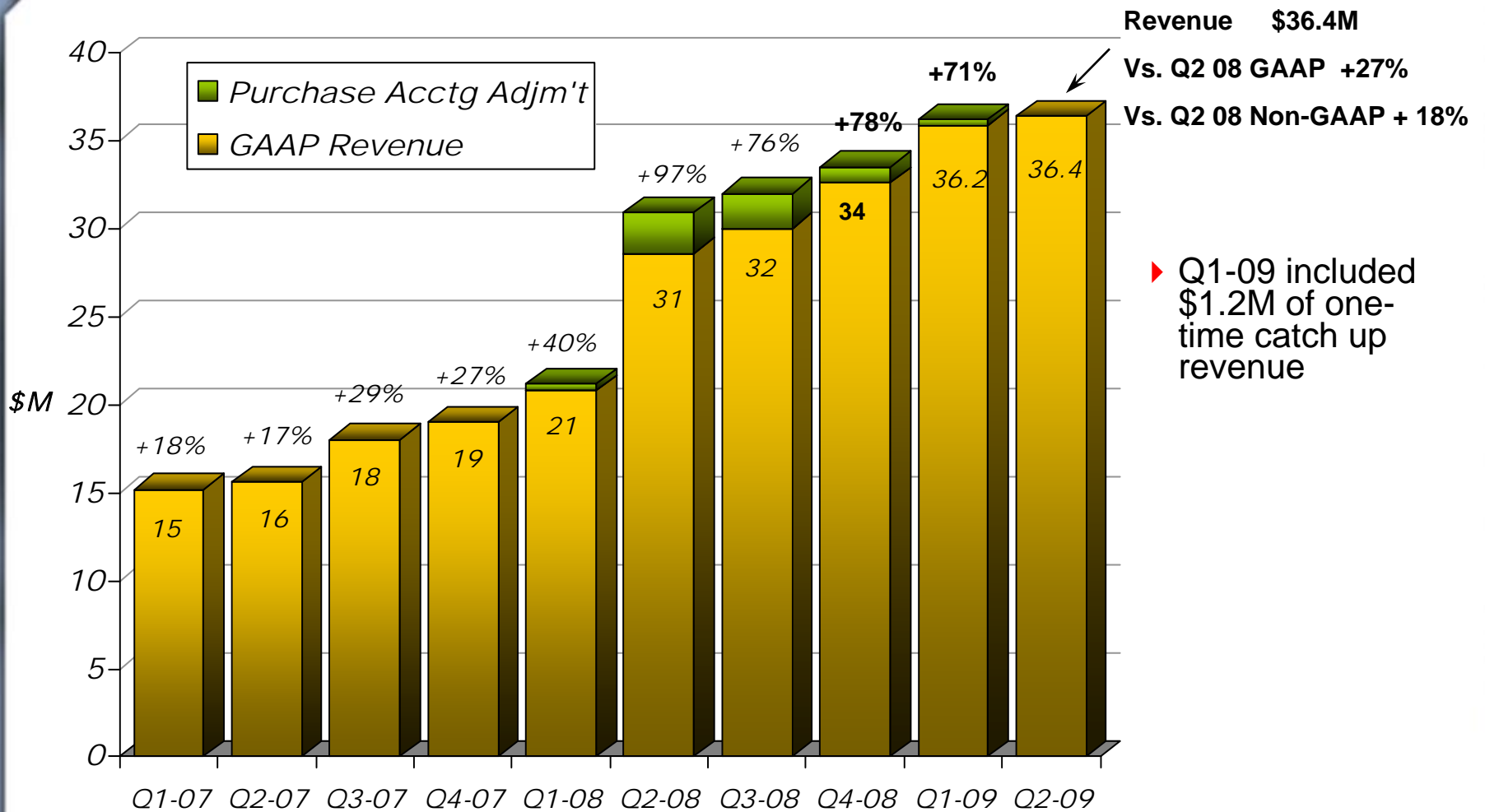


# Annualized Sub SW Backlog - Y/Y Growth 27% in tough economy



- ▶ Volume and velocity delivers record new customers while large deals have slowed down
- ▶ Q2 is traditionally a light renewal quarter
- ▶ Total Sub SW Backlog was \$241M:
  - ▶ Up \$1M vs. Q1-09
  - ▶ Up \$40M from Q2-08 or 20%

# Sub SW Revenue - Y/Y Growth 18%

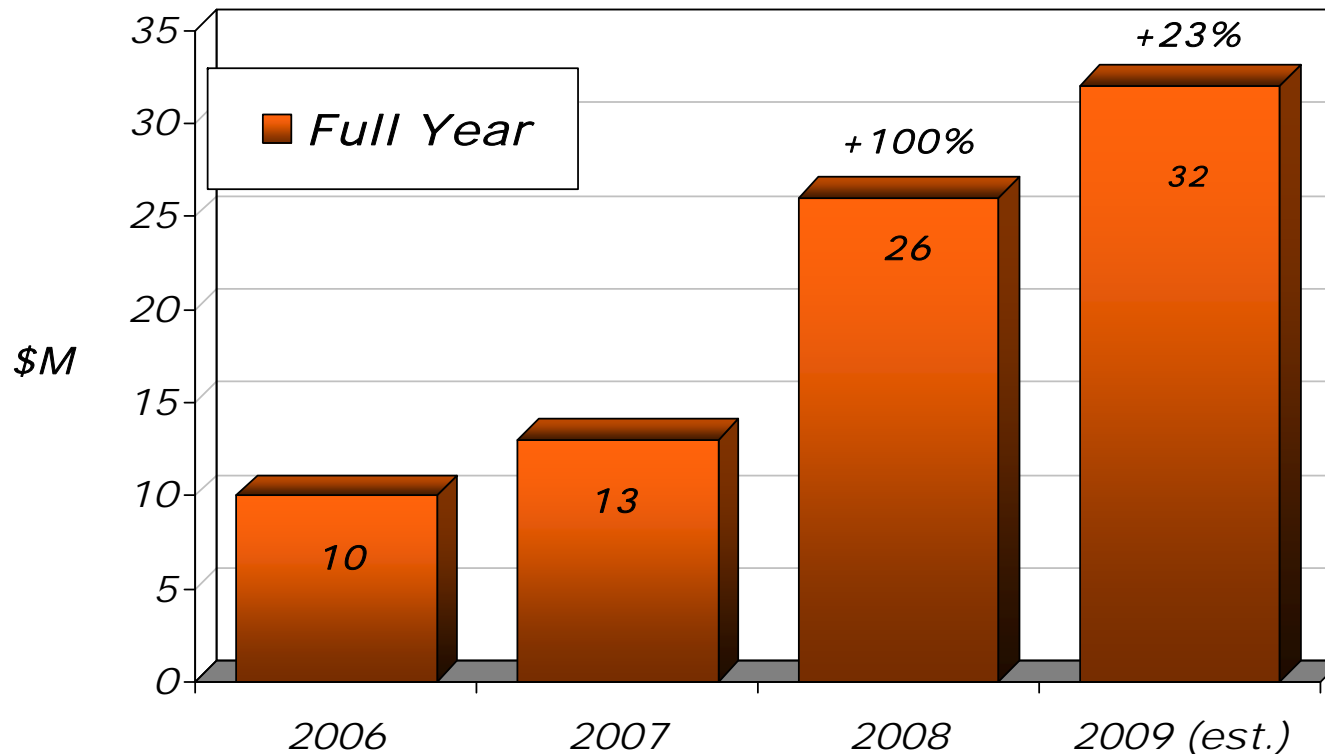


Percentages represent Y/Y growth rates

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# Network Software Revenue -- no change expected to grow 20-25% during 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 including financial institutions.**

Percentages represent year-over-year growth rates.

Please refer to safe harbor statement.

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## Q2 Results vs. Jan Guidance

	<u>Q1 09</u>	<u>Q2 09 Actual</u>	<u>Jan Guidance</u>
<i>Non-GAAP Subscription Software Revenue</i>	36.2M*	36.4M	36.5-37.5M
<i>Maintenance Revenues</i>	18.2M	18.5 M	18M
<i>Services and Other</i>	32M	29.8M	29-31M
<i>Total Non-GAAP Revenue</i>	86.4M	84.7M	84-86M
<i>Non-GAAP EPS</i>	21¢	15¢	12-15¢

\* Includes \$1.2M one-time revenue (i.e., a base-line of \$35M and sequential growth in Q2)

# *FY 2009 Non-GAAP Outlook -- No Change -- Strong Y/Y Growth in Subs SW and EPS*

	<u>2008 Actual</u>	<u>Jan 2009 Guidance</u>	<u>Vs 2008</u>
<i>Non-GAAP Subscription Software Revenue</i>	117.3M	148 - 152M	+26 - 30%
<i>Maintenance Revenues</i>	74.9M	~ 70M	- 7%
<i>Services &amp; Other</i>	140.9M	120 - 124M	- 13%
<i>Total Non-GAAP Revenue</i>	333.1M	342M+/- \$5M	+3%
<i>Non-GAAP EPS</i>	44¢	65 ¢ +/- 5 ¢	+48%

## *FY2009 Cash-Flow -- no change Healthy Y/Y growth*

	<i>2008 Actual</i>	<i>January 2009 Guidance</i>
<i>Non-GAAP Net Income %</i>	<i>11%</i>	<i>16-17%</i>
<i>Non-GAAP Net Income</i>	<i>36M</i>	<i>~56M</i>
<i>Change in Working Capital (a key driver is growth in deferred revenue)</i>	<i>14M</i>	<i>0 - 5 M</i>
<i>Depreciation</i>	<i>8M</i>	<i>8M</i>
<i>Softbank Impact</i>	<i>-1M</i>	
<i>Cash Flow from Operations before lease-losses, Sky and Procuri/Restructuring</i>	<i>57M</i>	<i>64-69M</i>
<i>Sky &amp; Procuri/Restructuring</i>	<i>-15M</i>	<i>-3M</i>
<i>Lease-loss payments</i>	<i>-20M</i>	<i>-19M</i>
<i>Cash Flow from Operations</i>	<i>22M</i>	<i>42-47M</i>

**Notes:** Capital Expenditures were \$7M & \$8m in 2007 and 2008, respectively and are anticipated to be approximately \$8M in 2009.

Please see Safe Harbor statement.

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# Supplemental Information:

## Real Estate

# Real Estate Summary

► Sunnyvale: (4 floors per building)



Bldg 1

Juniper – 2 floors committed through 2013  
Vacant – 2 floors



Bldg 2

Ariba – 2 floors  
Vacant – 2 floors



Bldg 3

Juniper – 4 floors committed through 2013



Bldg 4

Motorola – 2 floors committed through 2013  
E-Frontier – 1 floor committed through 2013  
Ariba – 1 floor (campus amenities)

# Quarterly Real Estate Lease Loss Impact

- ▶ In fiscal Q2-09, Ariba revised its estimates for sublease commencement dates and rental rate projections to reflect current market conditions related to abandoned space on the Sunnyvale campus resulting in a charge of approximately \$6.8M.
- ▶ As of 3/31/09, \$57.8M is reserved on the balance sheet for lease loss.

<b>\$M</b>	<b><u>3Q '09</u></b>	<b><u>4Q '09</u></b>	<b><u>FY10</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>4.5</b>	<b>17.8</b>	<b>13.2</b>	<b>13.2</b>	<b>4.7</b>	<b>57.8</b>
<b>Quarterly Average</b>	<b>4</b>		<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3.8</b>

- ▶ The “Per Period” amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$57.8M 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 then the lease loss would be ~ \$10M higher than shown for the remaining term.

# **Supplemental Information: Cash & Auction Rate Securities**

# Cash, Marketable Securities & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 3/31/2009</u>
Cash, Cash Equiv & S/T	Current Asset	0.7%	\$113M
Restricted Cash	Non-Current Asset	0.4%	<u>29M</u>
Total Cash			\$142M
Long-term Investments	Non-Current Asset	2.6%*	<u>18M</u>
Total Cash, Marketable Securities and Investments		1.0%*	\$160M

\* 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.

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## Auction Rate Securities (ARS) – no change

	<u>Rate Formula</u>	<u>Balance at 3/31/2009</u>
<b>Student-loan backed</b>		<b>\$18.4M</b>
▶ AAA/A3	\$5.0M based on LIBOR + 1.50%	
▶ 97% guaranteed by federal agencies	\$13.4M subject to a “max rate” formula	
<b>Corporate-backed</b>		<b>4.9M</b>
▶ Ratings: AA-/BBB+/BB	\$3.4M at LIBOR +0.50%	
▶ Backed by either corporate loans or commercial paper	\$1.5M at LIBOR +1.50%	
<b>Total Auction Rate Securities: Par Value</b>		<b>\$23.3M</b>
<b>Realized &amp; Unrealized Loss</b>		<b>(5.5M) *</b>
<b>Total Auction Rate Securities: Fair Value</b>		<b>\$17.8M</b>

\* \$1.4M represents a realized loss due to downgrade of Camber Securities to below investment grade in Q1. (No changes since Q1.)

# Supplemental Information: Financials

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

	<u>March 31,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 112,636	\$ 86,804
Accounts receivable, net	23,488	28,968
Prepaid expenses and other current assets	11,290	7,859
Total current assets	<u>147,414</u>	<u>123,631</u>
Property and equipment, net	15,054	19,773
Long-term investments	17,787	20,525
Restricted cash, less current portion	29,255	29,641
Goodwill	406,507	406,507
Other intangible assets, net	20,770	23,965
Other assets	3,048	3,419
Total assets	<u><u>\$ 639,835</u></u>	<u><u>\$ 627,461</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,012	\$ 12,202
Accrued compensation and related liabilities	17,889	21,480
Accrued liabilities	16,354	15,677
Restructuring obligations	18,178	19,925
Deferred revenue	105,273	95,519
Total current liabilities	<u>164,706</u>	<u>164,803</u>
Deferred rent obligations	16,362	18,174
Restructuring obligations, less current portion	40,323	41,121
Deferred revenue, less current portion	5,927	6,396
Other long-term liabilities	6,098	5,949
Total liabilities	<u>233,416</u>	<u>236,443</u>
Stockholders' equity:		
Common stock	175	174
Additional paid-in capital	5,172,576	5,154,137
Accumulated other comprehensive loss	(4,824)	(3,094)
Accumulated deficit	(4,761,508)	(4,760,199)
Total stockholders' equity	<u>406,419</u>	<u>391,018</u>
Total liabilities and stockholders' equity	<u><u>\$ 639,835</u></u>	<u><u>\$ 627,461</u></u>

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
<b>Revenues:</b>				
Subscription and maintenance	\$ 54,856	\$ 46,798	\$ 108,937	\$ 86,824
Services and other	29,837	33,740	61,843	70,688
Total revenues	<u>84,693</u>	<u>80,538</u>	<u>170,780</u>	<u>157,512</u>
<b>Cost of revenues:</b>				
Subscription and maintenance	11,832	10,454	23,480	19,322
Services and other	18,524	24,029	38,322	48,635
Amortization of acquired technology and customer intangible assets	1,387	4,685	2,775	8,194
Total cost of revenues	<u>31,743</u>	<u>39,168</u>	<u>64,577</u>	<u>76,151</u>
Gross profit	<u>52,950</u>	<u>41,370</u>	<u>106,203</u>	<u>81,361</u>
<b>Operating expenses:</b>				
Sales and marketing	25,927	29,432	53,504	54,544
Research and development	10,451	13,944	21,355	27,261
General and administrative	12,212	11,806	23,815	25,308
Other income - Softbank	-	-	-	(566)
Insurance reimbursement	-	-	(7,527)	-
Amortization of other intangible assets	210	210	420	319
Restructuring and integration costs	7,698	690	9,399	4,528
Litigation provision	-	-	-	5,900
Total operating expenses	<u>56,498</u>	<u>56,082</u>	<u>100,966</u>	<u>117,294</u>
(Loss) income from operations	(3,548)	(14,712)	5,237	(35,933)
Interest and other (expense) income, net	<u>(739)</u>	<u>2,863</u>	<u>(5,755)</u>	<u>6,207</u>
Loss before income taxes	(4,287)	(11,849)	(518)	(29,726)
Provision for income taxes	<u>449</u>	<u>549</u>	<u>791</u>	<u>992</u>
Net loss	<u>\$ (4,736)</u>	<u>\$ (12,398)</u>	<u>\$ (1,309)</u>	<u>\$ (30,718)</u>
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.16)	\$ (0.02)	\$ (0.41)
Weighted average shares - basic and diluted	82,416	77,648	81,681	75,426

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

	Three Months Ended March 31,	
	2009	2008
Operating activities:		
Net loss	\$ (4,736)	\$ (12,398)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts	759	15
Depreciation	1,899	1,955
Amortization of intangible assets	1,597	4,895
Impairment of Property and Equipment	4,277	-
Stock-based compensation	8,096	11,489
Restructuring charge	7,698	690
Changes in operating assets and liabilities:		
Accounts receivable	1,776	(1,093)
Prepaid expense and other assets	(4,328)	3,913
Accounts payable	(2,820)	(971)
Accrued compensation and related liabilities	2,099	3,194
Accrued liabilities	(438)	(11,535)
Deferred revenue	6,659	7,652
Restructuring obligations	(6,238)	(6,327)
Net cash provided by operating activities	16,300	1,479
Investing activities:		
Cash paid for acquisitions, net of cash acquired	-	(921)
Purchases of property and equipment	(1,150)	(1,776)
Sales of investments, net of purchases	(11)	35,131
Allocation from restricted cash, net	386	96
Net cash (used in) provided by investing activities	(775)	32,530
Financing activities:		
Proceeds from issuance of common stock, net	2,147	2,186
Repurchase of common stock	(696)	(992)
Net cash provided by financing activities	1,451	1,194
Effect of exchange rates on cash and cash equivalents	115	178
Net change in cash and cash equivalents	17,091	35,381
Cash and cash equivalents at beginning of period	95,545	37,148
Cash and cash equivalents at end of period	\$ 112,636	\$ 72,529

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# Non-GAAP Financial Measures

The accompanying presentation dated April 30, 2009 contains non-GAAP financial measures. The following table reconciles the non-GAAP financial measures in the presentation to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP measures include non-GAAP revenues, non-GAAP cost of revenues, gross profit, operating expenses, (loss) income from operations, net (loss) income and net (loss) income 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 presentation 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 March 31, 2009	Three Months Ended March 31, 2008
<u>Revenue reconciliation:</u>		
GAAP revenue	\$ 84,693	\$ 80,538
Purchase accounting adjustment	-	2,260
Total non-GAAP revenues	<u>\$ 84,693</u>	<u>\$ 82,798</u>
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 84,693	\$ 80,538
Plus: GAAP net loss	(4,736)	(12,398)
Total GAAP expenses	<u>89,429</u>	<u>92,936</u>
Amortization of intangible assets	(1,597)	(4,895)
Stock-based compensation	(8,096)	(11,489)
Restructuring and integration	(7,698)	(690)
Total non-GAAP operating expenses	<u>\$ 72,038</u>	<u>\$ 75,862</u>
<u>Net income (loss) reconciliation:</u>		
GAAP net loss	\$ (4,736)	\$ (12,398)
Purchase accounting adjustment	-	2,260
Amortization of intangible assets	1,597	4,895
Stock-based compensation	8,096	11,489
Restructuring and integration	7,698	690
Non-GAAP net income	<u>\$ 12,655</u>	<u>\$ 6,936</u>
<u>Net income (loss) per share reconciliation:</u>		
GAAP net loss per share - basic	\$ (0.06)	\$ (0.16)
Purchase accounting adjustment	-	0.03
Amortization of intangible assets	0.02	0.06
Stock-based compensation	0.10	0.15
Restructuring and integration	0.09	0.01
Non-GAAP net income per share - basic	<u>\$ 0.15</u>	<u>\$ 0.09</u>
Non-GAAP net income per share - diluted	\$ 0.15	\$ 0.09
Weighted average shares - basic	82,416	77,648
Weighted average shares - diluted	84,645	81,394

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:

	Six Months Ended March 31, 2009	Six Months Ended March 31, 2008
<b>Revenue reconciliation:</b>		
GAAP revenue	\$ 170,780	\$ 157,512
Purchase accounting adjustment	355	2,663
Total non-GAAP revenues	<u>\$ 171,135</u>	<u>\$ 160,175</u>
	Six Months Ended March 31, 2009	Six Months Ended March 31, 2008
<b>Expense reconciliation:</b>		
GAAP revenue	\$ 170,780	\$ 157,512
Plus: GAAP net loss	(1,309)	(30,718)
Total GAAP expenses	<u>172,089</u>	<u>188,230</u>
Amortization of intangible assets	(3,195)	(8,513)
Stock-based compensation	(17,622)	(21,318)
Restructuring and integration	(9,399)	(4,528)
Litigation provision	-	(5,900)
Other-than-temporary impairment of long-term investment	(1,414)	-
Total non-GAAP operating expenses	<u>\$ 140,459</u>	<u>\$ 147,971</u>
	Six Months Ended March 31, 2009	Six Months Ended March 31, 2008
<b>Net (loss) income reconciliation:</b>		
GAAP net loss	\$ (1,309)	\$ (30,718)
Purchase accounting adjustment	355	2,663
Amortization of intangible assets	3,195	8,513
Stock-based compensation	17,622	21,318
Restructuring and integration	9,399	4,528
Litigation provision	-	5,900
Other-than-temporary impairment of long-term investment	1,414	-
Non-GAAP net income	<u>\$ 30,676</u>	<u>\$ 12,204</u>
	Six Months Ended March 31, 2009	Six Months Ended March 31, 2008
<b>Net (loss) income per share reconciliation:</b>		
GAAP net loss per share - basic	\$ (0.02)	\$ (0.41)
Purchase accounting adjustment	0.00	0.04
Amortization of intangible assets	0.04	0.11
Stock-based compensation	0.22	0.28
Restructuring and integration	0.12	0.06
Litigation provision	-	0.08
Other-than-temporary impairment of long-term investment	0.02	-
Non-GAAP net income per share - basic	<u>\$ 0.38</u>	<u>\$ 0.16</u>
Non-GAAP net income per share - diluted	\$ 0.36	\$ 0.15
Weighted average shares - basic	81,681	75,426
Weighted average shares - diluted	84,344	80,116



**Ariba, Inc. and Subsidiaries**  
**Q2 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
<b>REVENUE ANALYSIS</b>										
<b>Perpetual license revenue</b>	\$ 4.6	4.3	2.7	5.0	2.4	1.4	1.5	0.6	0.8	0.4
<b>Network Software Revenue</b>	2.7	3.3	3.7	3.7	4.7	7.4	7.1	6.9	8.2	7.5
<b>Subscription software revenue</b>	\$ 15.2	15.7	18.0	18.8	20.8	28.6	30.3	32.6	35.9	36.4
Purchase accounting adjustment to acquired Procuri contracts					0.4	2.3	1.4	0.9	0.4	-
<b>Non-GAAP subscription software revenue</b>	\$ 15.2	15.7	18.0	18.8	21.2	30.8	31.7	33.5	36.2	36.4
<b>Subscription software revenue growth rates (Yr/Yr)</b>										
Subscription software revenue	18%	15%	29%	27%	37%	83%	68%	74%	72%	27%
Non-GAAP subscription software revenue	18%	15%	29%	27%	40%	97%	76%	78%	71%	18%
<b>CASH FLOW METRICS</b>										
<b>Cash Flow from Operations</b>	\$ 4.5	\$ 2.5	\$ 2.9	\$ 6.6	\$ 1.2	\$ 1.5	\$ 8.7	\$ 10.2	\$ 10.8	\$ 16.3
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
Cash used for Procuri-related integration & other severances (Restructuring Obligations)	-	-	-	-	0.2	1.8	0.8	1.2	1.0	1.7
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
<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>
Capital Expenditures	1.2	1.8	2.2	2.3	0.9	1.8	2.5	2.5	2.3	1.2
<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>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>

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

	Three Months Ended March 31,			Three Months Ended March 31,		
	2009 Reported	Adj	2009 Non- GAAP	2008 Reported	Adj	2008 Non- GAAP
<b>Revenues:</b>						
Subscription and maintenance (1)	\$ 54,856	\$ -	\$ 54,856	\$ 46,798	\$ 2,260	\$ 49,058
Services and other	29,837	-	29,837	33,740	-	33,740
Total revenues	<u>84,693</u>	<u>-</u>	<u>84,693</u>	<u>80,538</u>	<u>2,260</u>	<u>82,798</u>
<b>Cost of revenues:</b>						
Subscription and maintenance (3)	11,832	(541)	11,291	10,454	(628)	9,826
Services and other (3)	18,524	(848)	17,676	24,029	(1,628)	22,401
Amortization of acquired technology and customer intangible assets (2)	1,387	(1,387)	-	4,685	(4,685)	-
Total cost of revenues	<u>31,743</u>	<u>(2,776)</u>	<u>28,967</u>	<u>39,168</u>	<u>(6,941)</u>	<u>32,227</u>
Gross profit	<u>52,950</u>	<u>2,776</u>	<u>55,726</u>	<u>41,370</u>	<u>9,201</u>	<u>50,571</u>
<b>Operating expenses:</b>						
Sales and marketing (3)	25,927	(3,404)	22,523	29,432	(4,455)	24,977
Research and development (3)	10,451	(1,071)	9,380	13,944	(1,832)	12,112
General and administrative (3)	12,212	(2,232)	9,980	11,806	(2,946)	8,860
Amortization of other intangible assets (2)	210	(210)	-	210	(210)	-
Restructuring and integration (4)	7,698	(7,698)	-	690	(690)	-
Total operating expenses	<u>56,498</u>	<u>(14,615)</u>	<u>41,883</u>	<u>56,082</u>	<u>(10,133)</u>	<u>45,949</u>
(Loss) income from operations	(3,548)	17,391	13,843	(14,712)	19,334	4,622
Interest and other (expense) income, net	(739)	-	(739)	2,863	-	2,863
(Loss) income before income taxes	<u>(4,287)</u>	<u>17,391</u>	<u>13,104</u>	<u>(11,849)</u>	<u>19,334</u>	<u>7,485</u>
Provision for income taxes	449	-	449	549	-	549
Net (loss) income	<u>\$ (4,736)</u>	<u>\$ 17,391</u>	<u>\$ 12,655</u>	<u>\$ (12,398)</u>	<u>\$ 19,334</u>	<u>\$ 6,936</u>
<b>Net (loss) income per share</b>						
Basic	\$ (0.06)		\$ 0.15	\$ (0.16)		\$ 0.09
Diluted	\$ (0.06)		\$ 0.15	\$ (0.16)		\$ 0.09
<b>Weighted average shares</b>						
Basic	82,416		82,416	77,648		77,648
Diluted	82,416		84,645	77,648		81,394

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

	Six Months Ended March 31,			Six Months Ended March 31,		
	2009 Reported	Adj	2009 Non- GAAP	2008 Reported	Adj	2008 Non- GAAP
<b>Revenues:</b>						
Subscription and maintenance (1)	\$ 108,937	\$ 355	\$ 109,292	\$ 86,824	\$ 2,663	\$ 89,487
Services and other	61,843	-	61,843	70,688	-	70,688
Total revenues	<u>170,780</u>	<u>355</u>	<u>171,135</u>	<u>157,512</u>	<u>2,663</u>	<u>160,175</u>
<b>Cost of revenues:</b>						
Subscription and maintenance (3)	23,480	(1,166)	22,314	19,322	(1,125)	18,197
Services and other (3)	38,322	(1,878)	36,444	48,635	(3,245)	45,390
Amortization of acquired technology and customer intangible assets (2)	2,775	(2,775)	-	8,194	(8,194)	-
Total cost of revenues	<u>64,577</u>	<u>(5,819)</u>	<u>58,758</u>	<u>76,151</u>	<u>(12,564)</u>	<u>63,587</u>
Gross profit	<u>106,203</u>	<u>6,174</u>	<u>112,377</u>	<u>81,361</u>	<u>15,227</u>	<u>96,588</u>
<b>Operating expenses:</b>						
Sales and marketing (3)	53,504	(7,286)	46,218	54,544	(8,238)	46,306
Research and development (3)	21,355	(2,495)	18,860	27,261	(3,073)	24,188
General and administrative (3)	23,815	(4,797)	19,018	25,308	(5,637)	19,671
Other income - Softbank	-	-	-	(566)	-	(566)
Insurance reimbursement	(7,527)	-	(7,527)	-	-	-
Amortization of other intangible assets (2)	420	(420)	-	319	(319)	-
Restructuring and integration (4)	9,399	(9,399)	-	4,528	(4,528)	-
Litigation provision (5)	-	-	-	5,900	(5,900)	-
Total operating expenses	<u>100,966</u>	<u>(24,397)</u>	<u>76,569</u>	<u>117,294</u>	<u>(27,695)</u>	<u>89,599</u>
Income (loss) from operations	5,237	30,571	35,808	(35,933)	42,922	6,989
Interest and other (expense) income, net (6)	(5,755)	1,414	(4,341)	6,207	-	6,207
(Loss) income before income taxes	(518)	31,985	31,467	(29,726)	42,922	13,196
Provision for income taxes	791	-	791	992	-	992
Net (loss) income	<u>\$ (1,309)</u>	<u>\$ 31,985</u>	<u>\$ 30,676</u>	<u>\$ (30,718)</u>	<u>\$ 42,922</u>	<u>\$ 12,204</u>
<b>Net income (loss) per share</b>						
Basic	\$ (0.02)		\$ 0.38	\$ (0.41)		\$ 0.16
Diluted	\$ (0.02)		\$ 0.36	\$ (0.41)		\$ 0.15
<b>Weighted average shares</b>						
Basic	81,681		81,681	75,426		75,426
Diluted	81,681		84,344	75,426		80,116

## 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 severance and related benefits in the three and six months ended March 31, 2009 and 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 six months ended March 31, 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 six months ended March 31, 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 June 30, 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 June 30, 2009	
	Low	High
<u>Projected revenue:</u>	\$ 83,000	\$ 85,000

	Range for the Three Months Ending June 30, 2009	
	Low	High
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	\$ 82,000	\$ 82,000
Amortization of intangible assets	(2,000)	(2,000)
Stock-based compensation	(8,000)	(8,000)
Restructuring and integration	(2,000)	(2,000)
Non-GAAP projected total expenses	\$ 70,000	\$ 70,000

	Range for the Three Months Ending June 30, 2009	
	Low	High
<u>Projected net income reconciliation:</u>		
GAAP projected net income	\$ 1,000	\$ 3,000
Amortization of intangible assets	2,000	2,000
Stock-based compensation	8,000	8,000
Restructuring and integration	2,000	2,000
Non-GAAP projected net income	\$ 13,000	\$ 15,000

	Range for the Three Months Ending June 30, 2009	
	Low	High
<u>Projected net income per share reconciliation:</u>		
GAAP projected net income per share - basic	\$ 0.01	\$ 0.04
Amortization of intangible assets	\$ 0.02	\$ 0.02
Stock-based compensation	\$ 0.10	\$ 0.10
Restructuring and integration	\$ 0.02	\$ 0.02
Non-GAAP projected net income per share - basic	\$ 0.16	\$ 0.18

Non-GAAP projected net income per share - diluted	\$ 0.15	\$ 0.17
Projected weighted average shares - basic	83,600	83,600
Projected weighted average shares - diluted	85,900	85,900

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**Ariba, Inc. and Subsidiaries**  
**Q2 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 Guidance (Midpoint)	FY2009 Guidance (Midpoint) no change
<b>Non-GAAP Revenue</b>		<u>333.1</u>	<u>86.4</u>	<u>84.7</u>	<u>84.0</u>	<u>342</u>
<b>NG Profit Before Other Income/(Exp)</b>	(A)	27.6	14.4	13.8	16.9	61
<b>%</b>		8%	17%	16%	20%	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)	(2.8)	(8)
Bal Sheet Retranslation Loss (2)		-	(2.6)	-	-	(4)
<b>Interest</b>		5.0	0.7	0.4	0.4	2
<b>Tax/Other</b>		0.2	(0.5)	(0.3)	(0.5)	(2)
<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>(2.9)</u>	<u>(5)</u>
<b>Non-GAAP Profit</b>		<u>35.8</u>	<u>18.0</u>	<u>12.7</u>	<u>14.0</u>	<u>56</u>
<b>Diluted Shares</b>		82,250	84,044	84,645	85,900	85,900
<b>EPS</b>		0.44	0.21	0.15	0.16	0.65
<b>NG Op Profit incl Contract Mark to Market FX = (A) + (B)</b>		30.6	12.9	12.6	14.1	53
<b>NG Op Profit % (Recommended)</b>		<u>9%</u>	<u>15%</u>	<u>15%</u>	<u>17%</u>	<u>15-16%</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.