



*Supplemental Presentation
Material for
Quarter and Fiscal Year Ending
September 30, 2010*

October 28, 2010

Ariba Safe Harbor Statement

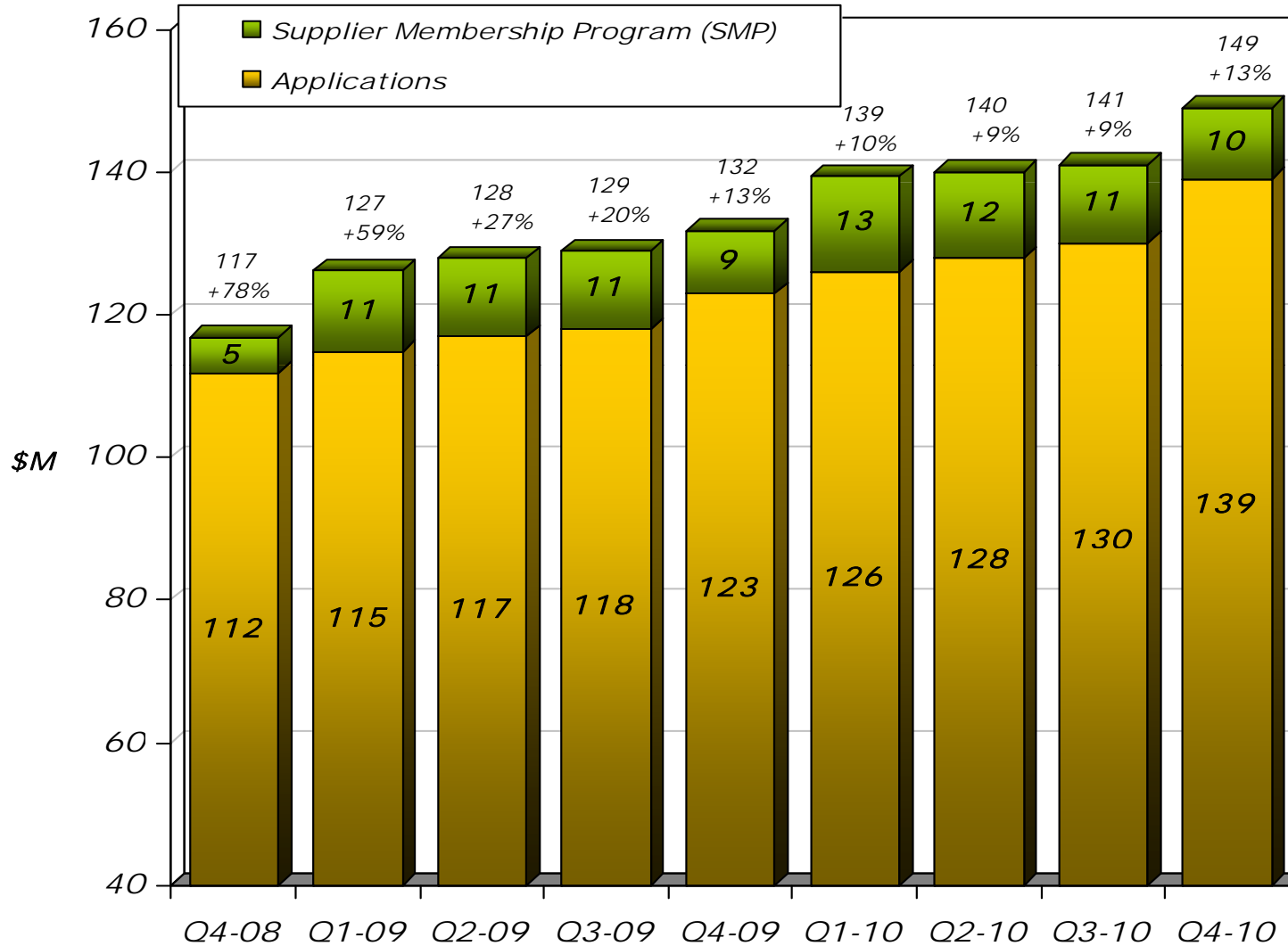
Safe Harbor Statement under the Private Securities Litigation Reform Act 1995: Information and announcements in this presentation involve Ariba's expectations, beliefs, hopes, plans, intentions or strategies regarding the future and are forward-looking statements that involve risks and uncertainties. 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 or dispositions 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 5th, 2010.

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. 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 costs, (iv) litigation benefit, (v) tax accrual reversal (vi) other-than-temporary impairment of long-term investments and (vii) transaction related costs. 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 \$17M Y/Y



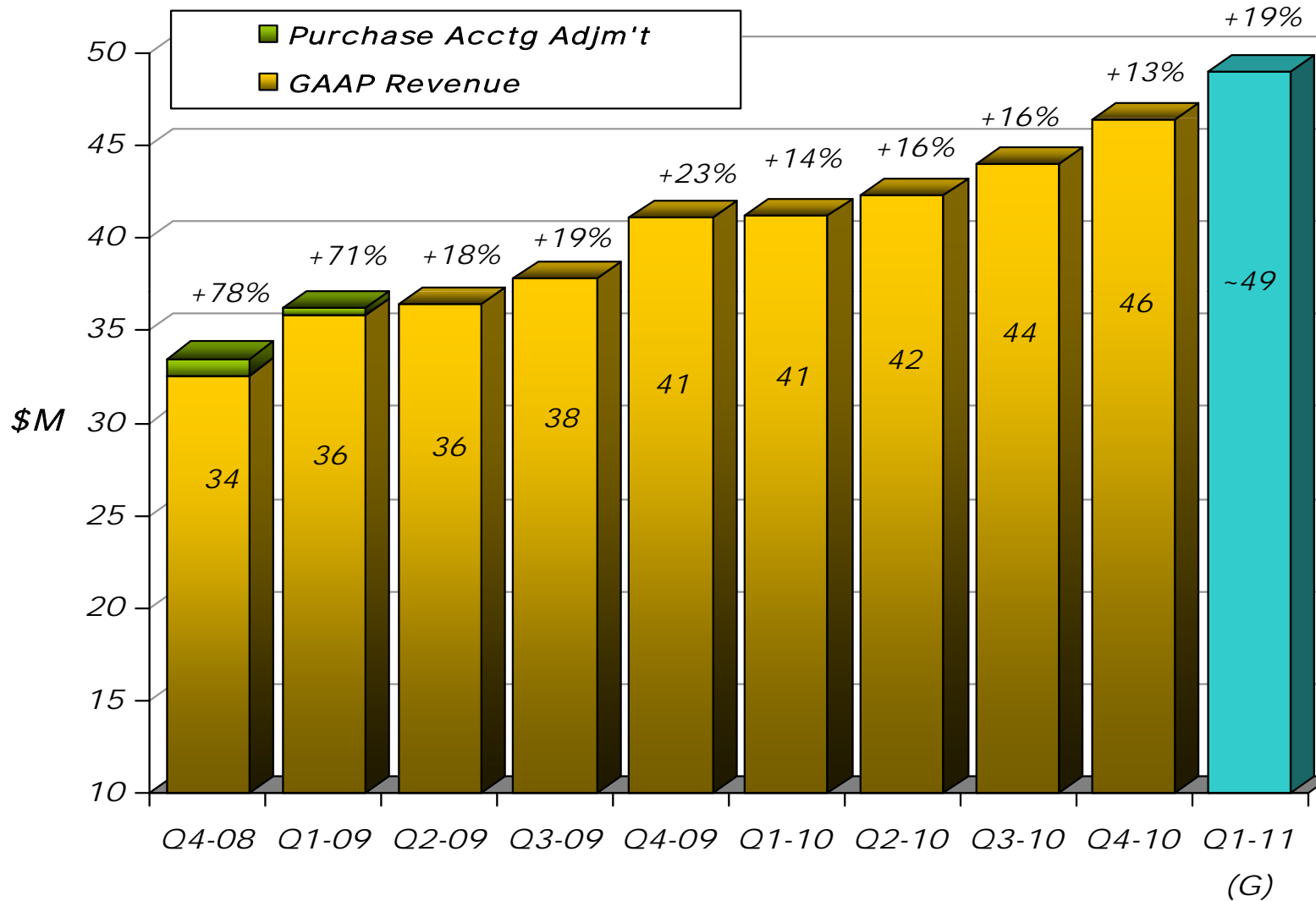
- ▶ Total Sub SW backlog at 9/30/10 was \$285M:
- ▶ Up \$36M from 9/30/09

Percentages represent Y/Y growth rates



Non GAAP Sub SW Revenue -- Up 15% in FY10

Expected to accelerate to 17-20 % in FY11



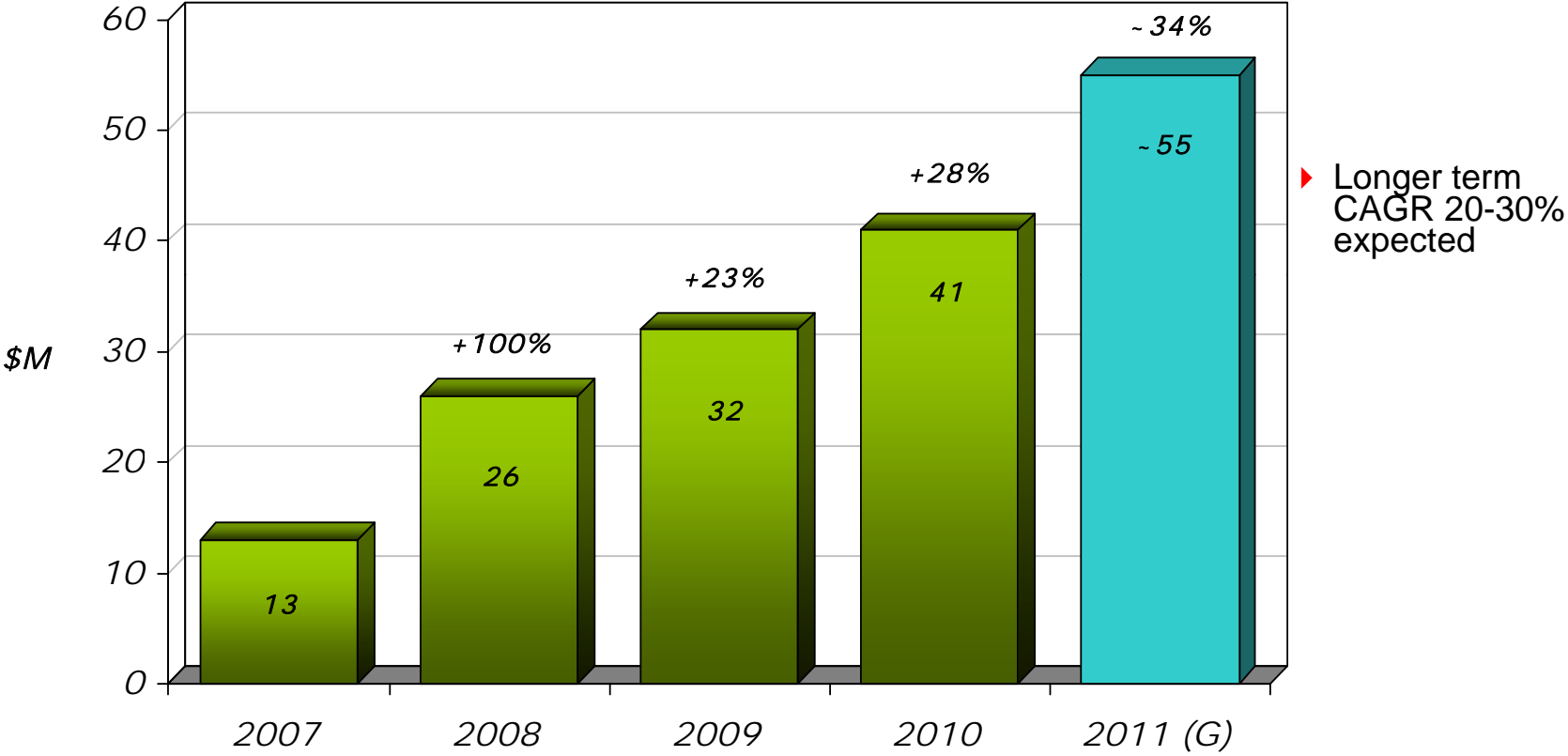
(G) = Guidance as at October 28, 2010

Percentages represent Y/Y growth rates

Please refer to safe harbor statement



Network Software Revenue - expected to grow ~34% in FY11



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.

(G) = Guidance as at October 28, 2010

Percentages represent Y/Y growth rates

Please refer to safe harbor statement



Q4 Results Above the July Outlook

	<i><u>Q3 10 Actual</u></i>	<i><u>July Outlook</u></i>	<i><u>Q4 10 Actual</u></i>
<i>Subscription Software Revenue</i>	44.0M	~46M	46.5M
<i>Maintenance Revenues</i>	16.8M	~16M	16.4M
<i>Services and Other</i>	32.5M ⁽¹⁾	30M+/-1M	32.2M ⁽¹⁾
<i>Total Revenue</i>	93.2M	92M+/-1M	95.1M
<i>Non-GAAP EPS</i>	19¢	18– 20 ¢	20¢

(1) Including catch-up Services revenue in Q310 and Q410 of ~\$2.5M and ~\$2M respectively



FY 2010 Results Above the July Outlook

	<i><u>FY09 Actual</u></i>	<i><u>July 2010 Outlook</u></i>	<i><u>FY10 Actual</u></i>	<i><u>Vs FY09</u></i>
<i>Non-GAAP Subscription Software Revenue</i>	<i>151.6M</i>	<i>~173.5M</i>	<i>174.0M</i>	<i>+15%</i>
<i>Maintenance Revenues</i>	<i>71.0M</i>	<i>~ 66.5M</i>	<i>66.8M</i>	<i>- 6%</i>
<i>Services & Other</i>	<i>116.8M</i>	<i>118+/- 1M</i>	<i>120.4M</i>	<i>+3%</i>
<i>Total Non-GAAP Revenue</i>	<i>339.3M</i>	<i>358M +/- 1M</i>	<i>361.1M</i>	<i>+ 6%</i>
<i>Non-GAAP EPS</i>	<i>71¢</i>	<i>75 - 77 ¢ *</i>	<i>77 ¢ *</i>	<i>+8%</i>

* Including 17 cents of investments in Front End Sales & Marketing and Network areas of the business



FY 2011 Guidance

	<u>FY10 Actual</u>	<u>FY11 Guidance</u>	<u>FY11 -FY10</u>
<i>Network</i>	<i>41M</i>	<i>54 - 56M</i>	<i>32 - 37%</i>
<i>Applications</i>	<u><i>133M</i></u>	<u><i>150 - 152M</i></u>	<i>13 - 14%</i>
<i>Total Subs SW</i>	<i>174M</i>	<i>204 - 208M</i>	<i>17 - 20%</i>
<i>Maintenance</i>	<i>67M</i>	<i>62.5M</i>	<i>- 6%</i>
<i>Services & Other</i>	<i>120M</i>	<i>118.5M+/- 5 *</i>	<i>- 1%</i>
<i>Total Revenue</i>	<i>361M</i>	<i>387M+/- 5 *</i>	<i>6 - 9%</i>
<i>Non-GAAP EPS</i>	<i>77¢</i>	<i>84 - 88¢</i>	<i>9 - 14%</i>

Notes: Includes divested Sourcing Services and BPO businesses. Once the deal closes we will remove from guidance (annual run rate of \$40M revenue and 7 cents in EPS).

Please refer to safe harbor statement



FY 2011 Cash-Flow Guidance

	<u>FY 2010</u> <u>Actual</u>	<u>FY 2011</u> <u>Guidance</u>
<i>Cash Flow from Operations before lease-losses and litigation receipt</i>	77M	90M+/-5M
<i>Lease-loss payments</i>	-17M	-17M
<i>Emptoris Litigation Receipt</i>	7M	
<i>Cash Flow from Operations</i>	67M	73M+/-5M

Notes: There will be a one-time tick-up in Capex in Q1 and Q2 reflecting a server/storage refresh cycle. FY11 Capex will therefore be ~\$12M against normal run-rate of ~\$10M.

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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 4 vacant floors. With the continued oversupply of office space in the market, we have concluded, after trying for several years, that we are not going to be able to sublet the available space prior to the lease ending.
- ▶ As of 9/30/10, \$40.5M is reserved on the balance sheet for lease loss.
- ▶ Lease end date is January 2013.

\$M	<u>1Q '11</u>	<u>2Q '11</u>	<u>3Q'11</u>	<u>4Q '11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
Per Period	4.3	4.3	4.3	4.3	17.3	6.0	40.5
Quarterly Average	4.3	4.3	4.3	4.3	4.3	4.5	4.3

- The "Per Period" amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$40.5M real estate lease loss restructuring reserve.

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Supplemental Information:
Cash, Restricted Cash & Investments



Cash, Restricted Cash & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 9/30/2010</u>
Cash, Cash Equiv & S/T	Current Asset	0.4%	\$201M
Restricted Cash	Current and Non-Current Asset	0.5%	29M
Long-term Investments	Non-Current Asset	1.7%*	<u>22M</u>
Total Cash, Restricted Cash and Investments		0.6%*	\$252M

* 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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Supplemental Information:
Financials



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

	September 30, 2010	September 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 182,393	\$ 130,881
Short-term investments	18,449	12,169
Restricted cash	104	-
Accounts receivable, net	21,781	19,660
Prepaid expenses and other current assets	7,942	11,235
Total current assets	230,669	173,945
Property and equipment, net	15,958	14,418
Long-term investments	22,283	23,155
Restricted cash, less current portion	29,137	29,241
Goodwill	406,507	406,507
Other intangible assets, net	13,154	17,660
Other assets	4,001	3,245
Total assets	\$ 721,709	\$ 668,171
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,190	\$ 7,758
Accrued compensation and related liabilities	32,079	29,010
Accrued liabilities	18,398	17,010
Restructuring obligations	17,188	17,964
Deferred revenue	97,005	101,172
Total current liabilities	175,860	172,914
Deferred rent obligations	9,880	14,539
Restructuring obligations, less current portion	23,339	31,098
Deferred revenue, less current portion	7,285	9,288
Other long-term liabilities	6,391	6,281
Total liabilities	222,755	234,120
Stockholders' equity:		
Common stock	188	179
Additional paid-in capital	5,236,265	5,189,566
Accumulated other comprehensive loss	(1,879)	(3,688)
Accumulated deficit	(4,735,620)	(4,752,006)
Total stockholders' equity	498,954	434,051
Total liabilities and stockholders' equity	\$ 721,709	\$ 668,171



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,	
	2010	2009	2010	2009
Revenues:				
Subscription and maintenance	\$ 62,892	\$ 57,858	\$ 240,789	\$ 222,206
Services and other	32,204	26,460	120,357	116,766
Total revenues	<u>95,096</u>	<u>84,318</u>	<u>361,146</u>	<u>338,972</u>
Cost of revenues:				
Subscription and maintenance	12,691	12,269	51,049	47,907
Services and other	21,520	18,592	82,636	75,465
Amortization of acquired technology and customer intangible assets	1,025	1,387	4,402	5,550
Total cost of revenues	<u>35,236</u>	<u>32,248</u>	<u>138,087</u>	<u>128,922</u>
Gross profit	<u>59,860</u>	<u>52,070</u>	<u>223,059</u>	<u>210,050</u>
Operating expenses:				
Sales and marketing	32,516	24,720	120,796	103,739
Research and development	11,929	11,341	46,041	43,483
General and administrative	10,178	10,173	36,000	43,289
Litigation benefit	-	-	(7,000)	-
Insurance reimbursement	-	-	-	(7,527)
Amortization of other intangible assets	-	125	104	755
Restructuring costs	-	-	8,579	10,837
Total operating expenses	<u>54,623</u>	<u>46,359</u>	<u>204,520</u>	<u>194,576</u>
Income from operations	5,237	5,711	18,539	15,474
Interest and other expense, net	(676)	(35)	(735)	(6,055)
Income before income taxes	4,561	5,676	17,804	9,419
Provision for income taxes	425	68	1,418	1,226
Net income	<u>\$ 4,136</u>	<u>\$ 5,608</u>	<u>\$ 16,386</u>	<u>\$ 8,193</u>
Net income per share - basic	\$ 0.05	\$ 0.07	\$ 0.19	\$ 0.10
Net income per share - diluted	\$ 0.05	\$ 0.06	\$ 0.18	\$ 0.10
Weighted average shares - basic	87,565	84,124	86,617	82,733
Weighted average shares - diluted	91,868	87,561	89,221	85,424

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

	Three Months Ended September 30,		Year Ended September 30,	
	2010	2009	2010	2009
Operating activities:				
Net income	\$ 4,136	\$ 5,608	\$ 16,386	\$ 8,193
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for (benefit from) doubtful accounts	108	(5)	684	1,378
Depreciation	2,055	1,884	7,912	7,661
Amortization of intangible assets	1,025	1,512	4,506	6,305
Stock-based compensation	12,093	8,679	48,365	33,941
Restructuring costs	-	-	8,579	10,837
Other-than temporary impairment of long-term investments	225	-	724	1,414
Impairment of property and equipment	-	-	-	4,277
Changes in operating assets and liabilities:				
Accounts receivable	(1,990)	2,941	(2,805)	7,930
Prepaid expense and other assets	198	631	2,312	(3,094)
Accounts payable	760	199	3,560	(4,485)
Accrued compensation and related liabilities	6,324	8,359	2,916	7,486
Accrued liabilities	2,122	(257)	(3,120)	(1,910)
Deferred revenue	(9,948)	(5,712)	(5,896)	8,857
Restructuring obligations	(4,285)	(5,030)	(17,114)	(22,821)
Net cash provided by operating activities	<u>12,823</u>	<u>18,809</u>	<u>67,009</u>	<u>65,969</u>
Investing activities:				
Purchases of property and equipment	(1,588)	(1,828)	(9,452)	(6,583)
Purchases of investments, net of sales	1,711	458	(4,237)	(16,822)
Allocation from restricted cash, net	-	-	-	400
Net cash provided by (used in) investing activities	<u>123</u>	<u>(1,370)</u>	<u>(13,689)</u>	<u>(23,005)</u>
Financing activities:				
Proceeds from issuance of common stock, net	1,959	1,759	4,207	4,113
Repurchase of common stock	-	(231)	(5,864)	(2,620)
Net cash provided by (used in) financing activities	<u>1,959</u>	<u>1,528</u>	<u>(1,657)</u>	<u>1,493</u>
Effect of exchange rates on cash and cash equivalents	(240)	(272)	(151)	(380)
Net change in cash and cash equivalents	14,665	18,695	51,512	44,077
Cash and cash equivalents at beginning of period	167,728	112,186	130,881	86,804
Cash and cash equivalents at end of period	<u>\$ 182,393</u>	<u>\$ 130,881</u>	<u>\$ 182,393</u>	<u>\$ 130,881</u>



Non-GAAP Financial Measures

The accompanying press release dated October 28, 2010 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 in the United States of America (GAAP). These non-GAAP financial measures include non-GAAP revenues, non-GAAP cost of revenues, gross profit, operating expenses, income from operations, net income and net 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 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, 2010</u>	<u>Three Months Ended September 30, 2009</u>
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 95,096	\$ 84,318
Less: GAAP net income	4,136	5,608
Total GAAP expenses	<u>90,960</u>	<u>78,710</u>
Amortization of intangible assets	(1,025)	(1,512)
Stock-based compensation	(12,093)	(8,679)
Transaction related costs	(1,101)	-
Total non-GAAP operating expenses	<u>\$ 76,741</u>	<u>\$ 68,519</u>
	<u>Three Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>
<u>Net income reconciliation:</u>		
GAAP net income	\$ 4,136	\$ 5,608
Amortization of intangible assets	1,025	1,512
Stock-based compensation	12,093	8,679
Transaction related costs	1,101	-
Non-GAAP net income	<u>\$ 18,355</u>	<u>\$ 15,799</u>
	<u>Three Months Ended September 30, 2010</u>	<u>Three Months Ended September 30, 2009</u>
<u>Net income per share reconciliation:</u>		
GAAP net income per share - basic	\$ 0.05	\$ 0.07
Amortization of intangible assets	0.01	0.02
Stock-based compensation	0.14	0.10
Transaction related costs	0.01	-
Non-GAAP net income per share - basic	<u>\$ 0.21</u>	<u>\$ 0.19</u>
Non-GAAP net income per share - diluted	\$ 0.20	\$ 0.18
Weighted average shares - basic	87,565	84,124
Weighted average shares - diluted	91,868	87,561



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, 2010	Year Ended September 30, 2009
Revenue reconciliation:		
GAAP revenue	\$ 361,146	\$ 338,972
Purchase accounting adjustment	-	355
Total non-GAAP revenues	<u>\$ 361,146</u>	<u>\$ 339,327</u>
	Year Ended September 30, 2010	Year Ended September 30, 2009
Expense reconciliation:		
GAAP revenue	\$ 361,146	\$ 338,972
Less: GAAP net income	16,386	8,193
Total GAAP expenses	<u>344,760</u>	<u>330,779</u>
Amortization of intangible assets	(4,506)	(6,305)
Stock-based compensation	(48,365)	(33,941)
Transaction related costs	(1,101)	-
Tax accrual reversal	3,089	-
Litigation benefit	7,000	-
Restructuring costs	(8,579)	(10,837)
Other-than-temporary decline in long-term investment	-	(1,414)
Total non-GAAP operating expenses	<u>\$ 292,298</u>	<u>\$ 278,282</u>
	Year Ended September 30, 2010	Year Ended September 30, 2009
Net income reconciliation:		
GAAP net income	\$ 16,386	\$ 8,193
Purchase accounting adjustment	-	355
Amortization of intangible assets	4,506	6,305
Stock-based compensation	48,365	33,941
Transaction related costs	1,101	-
Tax accrual reversal	(3,089)	-
Litigation benefit	(7,000)	-
Restructuring costs	8,579	10,837
Other-than-temporary decline in long-term investment	-	1,414
Non-GAAP net income	<u>\$ 68,848</u>	<u>\$ 61,045</u>
	Year Ended September 30, 2010	Year Ended September 30, 2009
Net income per share reconciliation:		
GAAP net income per share - basic	\$ 0.19	\$ 0.10
Purchase accounting adjustment	-	0.00
Amortization of intangible assets	0.05	0.08
Stock-based compensation	0.56	0.41
Transaction related costs	0.01	-
Tax accrual reversal	(0.04)	-
Litigation benefit	(0.08)	-
Restructuring costs	0.10	0.13
Other-than-temporary decline in long-term investment	-	0.02
Non-GAAP net income per share - basic	<u>\$ 0.79</u>	<u>\$ 0.74</u>
Non-GAAP net income per share - diluted	\$ 0.77	\$ 0.71
Weighted average shares - basic	86,617	82,733
Weighted average shares - diluted	89,221	85,424



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,		
	2010 Reported	Adj	2010 Non- GAAP	2009 Reported	Adj	2009 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 62,892	\$ -	\$ 62,892	\$ 57,858	\$ -	\$ 57,858
Services and other	32,204	-	32,204	26,460	-	26,460
Total revenues	<u>95,096</u>	<u>-</u>	<u>95,096</u>	<u>84,318</u>	<u>-</u>	<u>84,318</u>
Cost of revenues:						
Subscription and maintenance (3)	12,691	(743)	11,948	12,269	(672)	11,597
Services and other (3)	21,520	(1,264)	20,256	18,592	(997)	17,595
Amortization of acquired technology and customer intangible assets (2)	1,025	(1,025)	-	1,387	(1,387)	-
Total cost of revenues	<u>35,236</u>	<u>(3,032)</u>	<u>32,204</u>	<u>32,248</u>	<u>(3,056)</u>	<u>29,192</u>
Gross profit	<u>59,860</u>	<u>3,032</u>	<u>62,892</u>	<u>52,070</u>	<u>3,056</u>	<u>55,126</u>
Operating expenses:						
Sales and marketing (3)	32,516	(6,091)	26,425	24,720	(3,222)	21,498
Research and development (3)	11,929	(1,581)	10,348	11,341	(1,180)	10,161
General and administrative (3) (7) (8)	10,178	(3,515)	6,663	10,173	(2,608)	7,565
Amortization of other intangible assets (2)	-	-	-	125	(125)	-
Restructuring costs (4)	-	-	-	-	-	-
Total operating expenses	<u>54,623</u>	<u>(11,187)</u>	<u>43,436</u>	<u>46,359</u>	<u>(7,135)</u>	<u>39,224</u>
Income from operations	5,237	14,219	19,456	5,711	10,191	15,902
Interest and other expense, net	(676)	-	(676)	(35)	-	(35)
Income before income taxes	<u>4,561</u>	<u>14,219</u>	<u>18,780</u>	<u>5,676</u>	<u>10,191</u>	<u>15,867</u>
Provision for income taxes	425	-	425	68	-	68
Net income	<u>\$ 4,136</u>	<u>\$ 14,219</u>	<u>\$ 18,355</u>	<u>\$ 5,608</u>	<u>\$ 10,191</u>	<u>\$ 15,799</u>
Net income per share						
Basic	\$ 0.05		\$ 0.21	\$ 0.07		\$ 0.19
Diluted	\$ 0.05		\$ 0.20	\$ 0.06		\$ 0.18
Weighted average shares						
Basic	87,565		87,565	84,124		84,124
Diluted	91,868		91,868	87,561		87,561



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Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share data)

	Year Ended September 30,			Year Ended September 30,		
	2010 Reported	Adj	2010 Non- GAAP	2009 Reported	Adj	2009 Non- GAAP
Revenues:						
Subscription and maintenance (1)	\$ 240,789	\$ -	\$ 240,789	\$ 222,206	\$ 355	\$ 222,561
Services and other	120,357	-	120,357	116,766	-	116,766
Total revenues	<u>361,146</u>	<u>-</u>	<u>361,146</u>	<u>338,972</u>	<u>355</u>	<u>339,327</u>
Cost of revenues:						
Subscription and maintenance (3)	51,049	(3,288)	47,761	47,907	(2,405)	45,502
Services and other (3)	82,636	(5,305)	77,331	75,465	(3,715)	71,750
Amortization of acquired technology and customer intangible assets (2)	4,402	(4,402)	-	5,550	(5,550)	-
Total cost of revenues	<u>138,087</u>	<u>(12,995)</u>	<u>125,092</u>	<u>128,922</u>	<u>(11,670)</u>	<u>117,252</u>
Gross profit	<u>223,059</u>	<u>12,995</u>	<u>236,054</u>	<u>210,050</u>	<u>12,025</u>	<u>222,075</u>
Operating expenses:						
Sales and marketing (3)	120,796	(22,913)	97,883	103,739	(13,511)	90,228
Research and development (3)	46,041	(5,565)	40,476	43,483	(4,825)	38,658
General and administrative (3) (6) (7) (8)	36,000	(9,306)	26,694	43,289	(9,485)	33,804
Litigation benefit (5)	(7,000)	7,000	-	-	-	-
Insurance reimbursement	-	-	-	(7,527)	-	(7,527)
Amortization of other intangible assets (2)	104	(104)	-	755	(755)	-
Restructuring costs (4)	8,579	(8,579)	-	10,837	(10,837)	-
Total operating expenses	<u>204,520</u>	<u>(39,467)</u>	<u>165,053</u>	<u>194,576</u>	<u>(39,413)</u>	<u>155,163</u>
Income from operations	18,539	52,462	71,001	15,474	51,438	66,912
Interest and other expense, net (5)	(735)	-	(735)	(6,055)	1,414	(4,641)
Income before income taxes	<u>17,804</u>	<u>52,462</u>	<u>70,266</u>	<u>9,419</u>	<u>52,852</u>	<u>62,271</u>
Provision for income taxes	1,418	-	1,418	1,226	-	1,226
Net income	<u>\$ 16,386</u>	<u>\$ 52,462</u>	<u>\$ 68,848</u>	<u>\$ 8,193</u>	<u>\$ 52,852</u>	<u>\$ 61,045</u>
Net income per share						
Basic	\$ 0.19		\$ 0.79	\$ 0.10		\$ 0.74
Diluted	\$ 0.18		\$ 0.77	\$ 0.10		\$ 0.71
Weighted average shares						
Basic	86,617		86,617	82,733		82,733
Diluted	89,221		89,221	85,424		85,424



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 costs, (iv) litigation benefit, (v) tax accrual reversal (vi) other-than-temporary impairment of long-term investments and (vii) transaction related costs. 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 transaction related costs, 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, 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



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

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 costs.* We recorded restructuring related to lease abandonment accruals and/or severance and related benefits in the twelve months ended September 30, 2009 and the twelve months ended September 30, 2010. 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 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.

(5) *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.

(6) *Release of tax reserve.* We released a tax reserve of approximately \$3.1 million 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 tax reserve release helps investors compare our operating performance with that of other companies.

(7) *Other-than-temporary impairment of long-term investments.* We recorded an other-than-temporary impairment of a long-term investment in the twelve months 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.

(8) *Transaction related costs.* We recorded approximately \$1.1 million of transaction related costs in the three months and twelve 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.



Ariba, Inc. and Subsidiaries
Reconciliation of Outlook for the Quarter Ending December 31, 2010
(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, 2010	
	Low	High
<u>Projected revenue:</u>	\$ 95,000	\$ 97,000

	Range for the Three Months Ending December 31, 2010	
	Low	High
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	\$ 91,500	\$ 91,500
Amortization of intangible assets	(1,000)	(1,000)
Stock-based compensation	(12,500)	(12,500)
Non-GAAP projected total expenses	<u>\$ 78,000</u>	<u>\$ 78,000</u>

	Range for the Three Months Ending December 31, 2010	
	Low	High
<u>Projected net income reconciliation:</u>		
GAAP projected net income	\$ 3,500	\$ 5,500
Amortization of intangible assets	1,000	1,000
Stock-based compensation	12,500	12,500
Non-GAAP projected net income	<u>\$ 17,000</u>	<u>\$ 19,000</u>

	Range for the Three Months Ending December 31, 2010	
	Low	High
<u>Projected net income per share reconciliation:</u>		
GAAP projected net income per share - basic	\$ 0.04	\$ 0.06
Amortization of intangible assets	0.01	0.01
Stock-based compensation	0.14	0.14
Non-GAAP projected net income per share - basic	<u>\$ 0.19</u>	<u>\$ 0.21</u>

Non-GAAP projected net income per share - diluted	\$ 0.18	\$ 0.20
Projected weighted average shares - basic	88,900	88,900
Projected weighted average shares - diluted	92,600	92,600



Ariba, Inc. and Subsidiaries
Q4 Fiscal 2010 Supplemental Information
(in millions, except for percentages)

	FY 2007				FY 2008				FY2009				FY2010			
	2007-Q1	2007-Q2	2007-Q3	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4	2009-Q1	2009-Q2	2009-Q3	2009-Q4	2010-Q1	2010-Q2	2010-Q3	2010-Q4
REVENUE ANALYSIS																
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	9.8	9.4	10.7	11.2
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	41.2	42.3	44.0	46.5
Purchase accounting adjustment to acquired Procuri contracts					0.4	2.3	1.4	0.9	0.4	-	-	-	-	-	-	-
Non-GAAP subscription software revenue	\$ 15.2	15.7	18.0	18.8	21.2	30.8	31.7	33.5	36.2	36.4	37.9	41.1	41.2	42.3	44.0	46.5
Subscription software revenue growth rates (Yr/Yr)																
Subscription software revenue	18%	15%	29%	27%	37%	83%	68%	74%	72%	27%	25%	26%	15%	16%	16%	13%
Non-GAAP subscription software revenue	18%	15%	29%	27%	40%	97%	76%	78%	71%	18%	19%	23%	14%	16%	16%	13%
CASH FLOW METRICS																
Cash Flow from Operations	\$ 4.5	\$ 2.5	\$ 2.9	\$ 6.6	\$ 1.2	\$ 1.5	\$ 8.7	\$ 10.2	\$ 10.8	\$ 16.3	\$ 20.0	\$ 18.8	\$ 10.5	\$ 26.4	\$ 17.3	\$ 12.8
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	\$ 4.3	\$ 4.2	\$ 4.3	\$ 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 Received for Emptoris Litigation Judgment	-	-	-	-	-	-	-	-	-	-	-	-	-	(7.0)	-	-
Cash from Operations used for Procuri, Sky, Lease Loss less Emptoris Receipt	3.5	7.8	2.3	5.4	4.6	15.3	6.7	5.9	5.7	6.2	5.8	5.0	4.3	(2.8)	4.3	4.3
Cash Flow from Ops, before Procuri, Sky, Lease Losses & Emptoris Receipt	8.0	10.3	5.2	12.0	5.8	16.8	15.4	16.1	16.5	22.5	25.9	23.8	14.8	23.6	21.6	17.1
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	1.4	4.4	2.0	1.6
Free Cash Flow	3.3	0.7	0.7	4.3	0.3	(0.3)	6.2	7.7	8.6	15.2	18.7	17.0	9.1	22.0	15.2	11.2
Free Cash Flow, before Procuri, Sky and Lease Losses	6.8	8.5	3.0	9.7	4.9	15.0	12.9	13.7	14.3	21.4	24.5	22.0	13.4	19.2	19.5	15.5



Ariba, Inc. and Subsidiaries
Q4 Fiscal 2010 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	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	FY2010 Actual
Non-GAAP Revenue		<u>333.1</u>	<u>86.4</u>	<u>84.7</u>	<u>83.9</u>	<u>84.3</u>	<u>339.3</u>	<u>85.7</u>	<u>87.1</u>	<u>93.2</u>	<u>95.1</u>	<u>361.1</u>
NG Profit Before Other Income/(Exp)	(A)	27.6	14.4	13.8	15.2	15.9	59.4	16.9	16.9	17.7	19.5	71.0
%		8%	17%	16%	18%	19%	18%	20%	19%	19%	20%	20%
Other Income/(Exp) :												
FX Gain/(Loss) :												
Contract Mark to Market (Profit)/Loss (1)	(B)	3.0	(1.5)	(1.2)	(1.1)	(0.3)	(4.1)	0.5	(0.4)	(0.9)	(0.9)	(1.8)
Bal Sheet Retranslation Loss (2)		-	(2.6)	-	-	-	(2.6)	-	-	-	-	-
Interest		5.0	0.7	0.4	0.3	0.3	1.6	0.4	0.4	0.4	0.4	1.7
Tax/Other		0.2	(0.5)	(0.3)	0.2	(0.1)	(0.8)	(0.5)	(0.5)	(0.4)	(0.6)	(2.0)
Insurance Reimbursement			7.5	-			7.5	-	-	-	-	-
Total Other Income/(Exp)		8.2	3.6	(1.2)	(0.6)	(0.1)	1.7	0.3	(0.4)	(0.9)	(1.1)	(2.2)
Non-GAAP Profit		<u>35.8</u>	<u>18.0</u>	<u>12.7</u>	<u>14.6</u>	<u>15.8</u>	<u>61.0</u>	<u>17.2</u>	<u>16.5</u>	<u>16.8</u>	<u>18.4</u>	<u>68.8</u>
Diluted Shares		82,250	84,044	84,645	85,447	87,561	85,424	88,262	88,753	89,336	91,868	89,221
EPS		0.44	0.21	0.15	0.17	0.18	0.71	0.19	0.19	0.19	0.20	0.77
NG Op Profit incl Contract Mark to Market FX, = (A) + (B)		30.6	12.9	12.6	14.1	15.6	55.3	17.4	16.5	16.8	18.6	69.2
NG Op Profit % (Recommended)		<u>9%</u>	<u>15%</u>	<u>15%</u>	<u>17%</u>	<u>19%</u>	<u>16%</u>	<u>20%</u>	<u>19%</u>	<u>18%</u>	<u>20%</u>	<u>19%</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.

