

Ariba

Supplemental Presentation
Material for
Quarter Ending
March 31, 2010

April 29, 2010



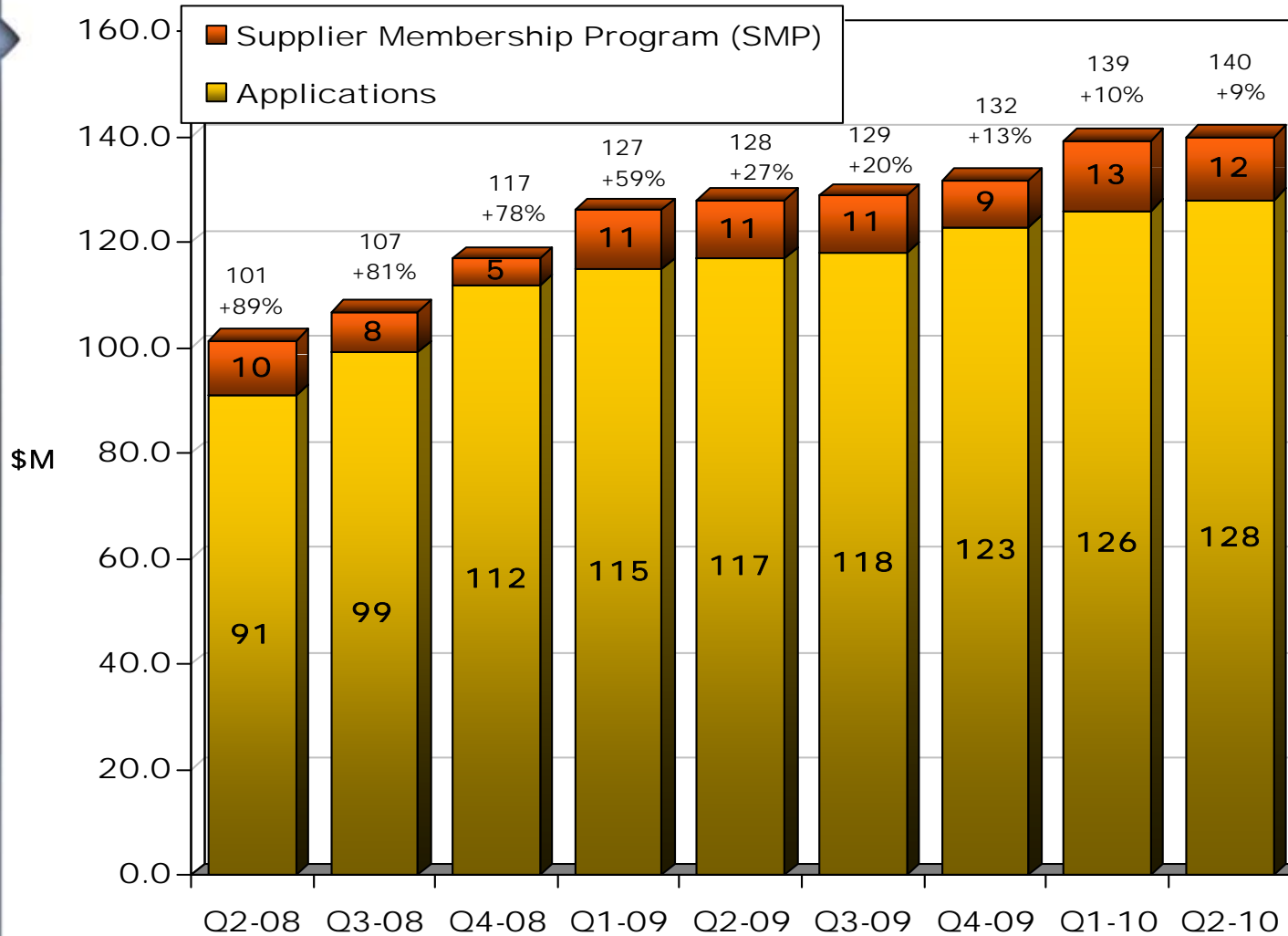
Ariba Safe Harbor Statement

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, 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 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 and (vi) 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.

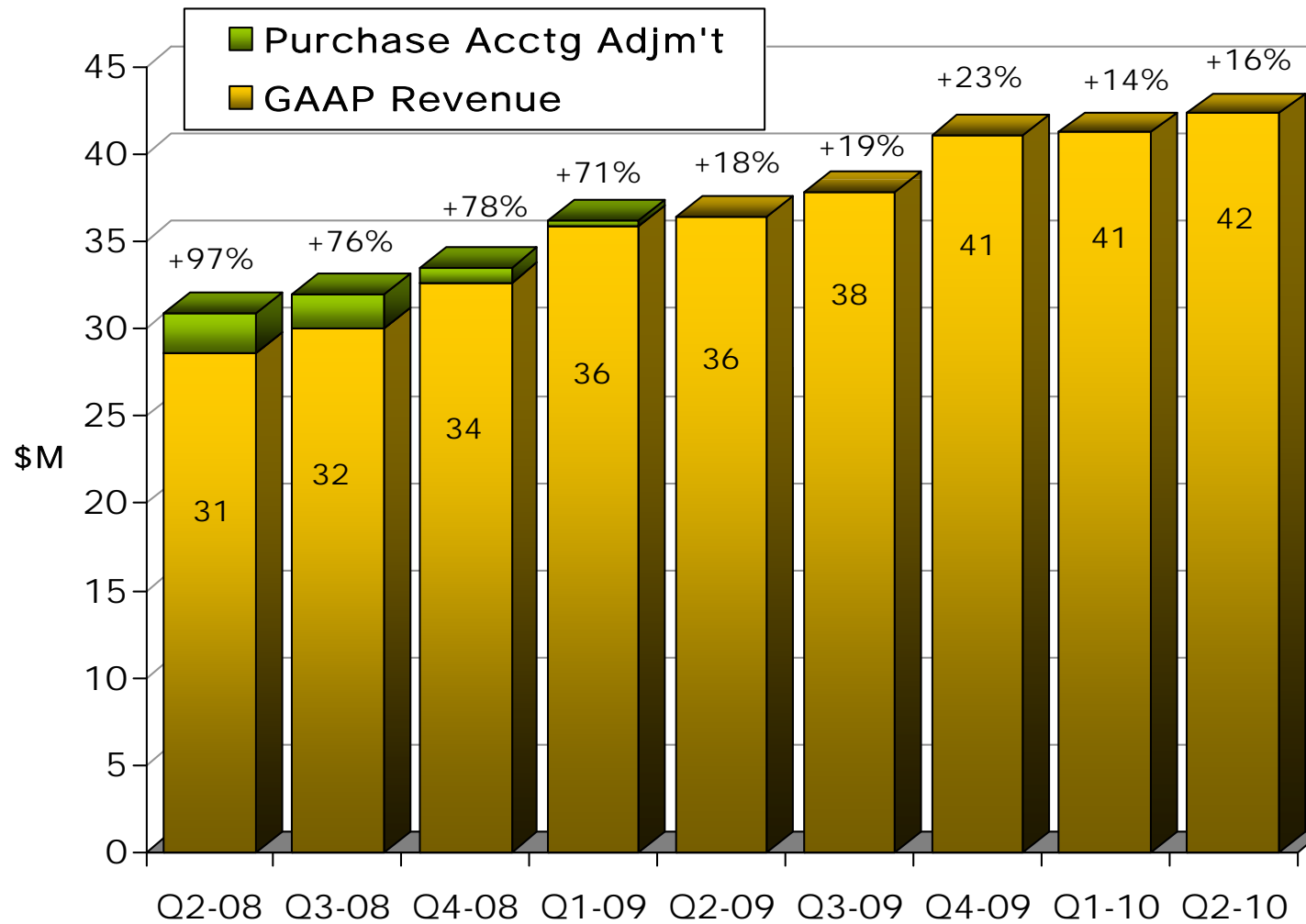
Annualized Sub SW Backlog – Up \$12M Y/Y



- ▶ Underlying strategy of Land and Expand is continuing to deliver Volume and Velocity
- ▶ Total Sub SW backlog at 3/31 was \$264M:
 - ▶ Up \$23M from Q209

Percentages represent Y/Y growth rates

Non GAAP Sub SW Revenue - Up 16% Y/Y



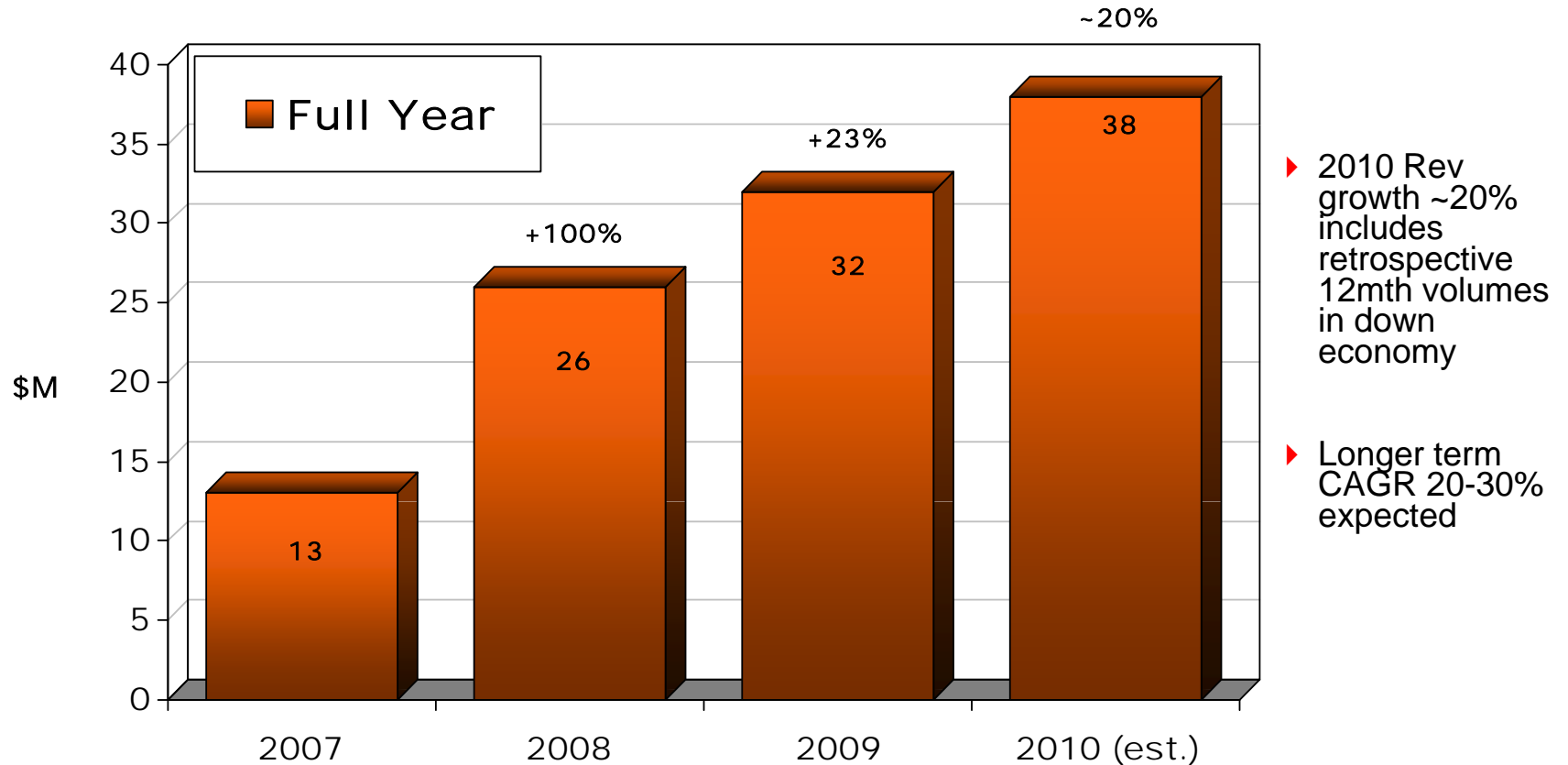
Q409 and Q110 had one-time revenue from certain customer expansions of \$1.5M and \$0.5M respectively

Percentages represent Y/Y growth rates

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Network Software Revenue - expected to grow ~20% in 2010



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

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Q2 Results vs. Jan Outlook

	<u>Q1 10 Actual</u>	<u>Jan Outlook</u>	<u>Q2 10 Actual</u>
Non-GAAP Subscription Software Revenue	41.2M ⁽¹⁾	~42M	42.3M
Maintenance Revenues	17.1M	~16.5M	16.5M
Services and Other	27.3M	28M+/-1M	28.4M
Total Non-GAAP Revenue	85.7M	86.5M+/-1M	87.1M
Non-GAAP EPS	19¢	17 – 19 ¢	19¢

(1) Q110 had \$0.5M of one-time revenue.

FY 2010 Non-GAAP Outlook -- trending towards upper end

	<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 investments in Front End Sales & Marketing and Network areas of the business

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FY 2010 Cash-Flow Outlook -- trending towards upper end

	<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
Emptoris Litigation Receipt			7M
Cash Flow from Operations	22M	66M	59-69M

Notes: Capital Expenditures are anticipated to be approximately \$9M in FY2010 – consistent with prior year levels.

Please refer to 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.
- ▶ There are currently 4 vacant floors, which we have been trying to sublet for many years
- ▶ As of 3/31/10, \$49.1M is reserved on the balance sheet for lease loss.

\$M	<u>3Q '10</u>	<u>4Q '10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
Per Period	4.3	4.3	17.1	17.3	6.1	49.1
Quarterly Average	4.3	4.3	4.3	4.3	4.6	4.3

- ▶ In fiscal Q2 we incurred an \$8.6 million real-estate restructuring charge related to our existing surplus space in Sunnyvale. 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.
- ▶ The “Per Period” amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$49.1M real estate lease loss restructuring reserve.

Supplemental Information: Cash, Restricted Cash & Investments

Cash, Restricted Cash & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 3/31/2010</u>
Cash, Cash Equiv & S/T	Current Asset	0.5%	\$173M
Restricted Cash	Non-Current Asset	0.6%	29M
Long-term Investments	Non-Current Asset	2.2%*	<u>21M</u>
Total Cash, Restricted Cash and Investments		0.7%*	\$223M

* 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)

	<u>March 31,</u> <u>2010</u>	<u>September 30,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 151,078	\$ 130,881
Short-term investments	21,594	12,169
Accounts receivable, net	19,927	19,660
Prepaid expenses and other current assets	<u>12,653</u>	<u>11,235</u>
Total current assets	205,252	173,945
Property and equipment, net	16,390	14,418
Long-term investments	21,007	23,155
Restricted cash, less current portion	29,241	29,241
Goodwill	406,507	406,507
Other intangible assets, net	15,204	17,660
Other assets	<u>3,572</u>	<u>3,245</u>
Total assets	<u>\$ 697,173</u>	<u>\$ 668,171</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,986	\$ 7,758
Accrued compensation and related liabilities	19,659	29,010
Accrued liabilities	13,328	17,010
Restructuring obligations	17,131	17,964
Deferred revenue	<u>117,936</u>	<u>101,172</u>
Total current liabilities	176,040	172,914
Deferred rent obligations	11,813	14,539
Restructuring obligations, less current portion	31,974	31,098
Deferred revenue, less current portion	7,463	9,288
Other long-term liabilities	<u>6,627</u>	<u>6,281</u>
Total liabilities	233,917	234,120
Stockholders' equity:		
Common stock	180	179
Additional paid-in capital	5,210,537	5,189,566
Accumulated other comprehensive loss	(3,431)	(3,688)
Accumulated deficit	<u>(4,744,030)</u>	<u>(4,752,006)</u>
Total stockholders' equity	463,256	434,051
Total liabilities and stockholders' equity	<u>\$ 697,173</u>	<u>\$ 668,171</u>

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

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Subscription and maintenance	\$ 58,756	\$ 54,856
Services and other	28,374	29,837
Total revenues	<u>87,130</u>	<u>84,693</u>
Cost of revenues:		
Subscription and maintenance	12,639	11,832
Services and other	19,954	18,524
Amortization of acquired technology and customer intangible assets	1,025	1,387
Total cost of revenues	<u>33,618</u>	<u>31,743</u>
Gross profit	<u>53,512</u>	<u>52,950</u>
Operating expenses:		
Sales and marketing	28,641	25,927
Research and development	11,344	10,451
General and administrative	5,756	12,212
Litigation benefit	(7,000)	-
Insurance reimbursement	-	-
Amortization of other intangible assets	-	210
Restructuring costs	8,579	7,698
Total operating expenses	<u>47,320</u>	<u>56,498</u>
Income (loss) from operations	6,192	(3,548)
Interest and other income (expense), net	74	(739)
Income (loss) before income taxes	<u>6,266</u>	<u>(4,287)</u>
Provision for income taxes	515	449
Net income (loss)	<u>\$ 5,751</u>	<u>\$ (4,736)</u>
Net income (loss) per share - basic	\$ 0.07	\$ (0.06)
Net income (loss) per share - diluted	\$ 0.06	\$ (0.06)
Weighted average shares - basic	86,578	82,416
Weighted average shares - diluted	88,753	82,416

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

	Three Months Ended March 31,	
	2010	2009
Operating activities:		
Net income (loss)	\$ 5,751	\$ (4,736)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	267	759
Depreciation	2,011	1,899
Amortization of intangible assets	1,025	1,597
Impairment of fixed assets	-	4,277
Stock-based compensation	11,229	8,096
Restructuring costs	8,579	7,698
Changes in operating assets and liabilities:		
Accounts receivable	(528)	1,776
Prepaid expense and other assets	(1,120)	(4,328)
Accounts payable	269	(2,820)
Accrued compensation and related liabilities	3,144	2,099
Accrued liabilities	(5,949)	(438)
Deferred revenue	5,937	6,659
Restructuring obligations	(4,210)	(6,238)
Net cash provided by operating activities	26,405	16,300
Investing activities:		
Purchases of property and equipment	(4,436)	(1,150)
Purchases of investments, net of sales	495	(11)
Allocation from restricted cash, net	-	386
Net cash used in investing activities	(3,941)	(775)
Financing activities:		
Proceeds from issuance of common stock, net	2,057	2,147
Repurchase of common stock	(808)	(696)
Net cash used in financing activities	1,249	1,451
Effect of exchange rates on cash and cash equivalents	32	115
Net change in cash and cash equivalents	23,745	17,091
Cash and cash equivalents at beginning of period	127,333	95,405
Cash and cash equivalents at end of period	\$ 151,078	\$ 112,496

Non-GAAP Financial Measures

The accompanying press release dated April 29, 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 (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:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenue reconciliation:		
GAAP revenue	\$ 87,130	\$ 84,693
Purchase accounting adjustment	-	-
Total non-GAAP revenues	<u>\$ 87,130</u>	<u>\$ 84,693</u>
	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Expense reconciliation:		
GAAP revenue	\$ 87,130	\$ 84,693
Less: GAAP net income (loss)	5,751	(4,736)
Total GAAP expenses	<u>81,379</u>	<u>89,429</u>
Amortization of intangible assets	(1,025)	(1,597)
Stock-based compensation	(11,229)	(8,096)
Tax accrual reversal	3,089	-
Litigation benefit	7,000	-
Restructuring costs	(8,579)	(7,698)
Total non-GAAP operating expenses	<u>\$ 70,635</u>	<u>\$ 72,038</u>
	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income reconciliation:		
GAAP net income (loss)	\$ 5,751	\$ (4,736)
Amortization of intangible assets	1,025	1,597
Stock-based compensation	11,229	8,096
Tax accrual reversal	(3,089)	-
Litigation benefit	(7,000)	-
Restructuring costs	8,579	7,698
Non-GAAP net income	<u>\$ 16,495</u>	<u>\$ 12,655</u>
	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income per share reconciliation:		
GAAP net income (loss) per share - basic	\$ 0.07	\$ (0.06)
Amortization of intangible assets	0.01	0.02
Stock-based compensation	0.13	0.10
Tax accrual reversal	(0.04)	-
Litigation benefit	(0.08)	-
Restructuring costs	0.10	0.09
Non-GAAP net income per share - basic	<u>\$ 0.19</u>	<u>\$ 0.15</u>
Non-GAAP net income per share - diluted	\$ 0.19	\$ 0.15
Weighted average shares - basic	86,578	82,416
Weighted average shares - diluted	88,753	84,645



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, 2010	Six Months Ended March 31, 2009
Revenue reconciliation:		
GAAP revenue	\$ 172,801	\$ 170,780
Purchase accounting adjustment	-	355
Total non-GAAP revenues	<u>\$ 172,801</u>	<u>\$ 171,135</u>
	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Expense reconciliation:		
GAAP revenue	\$ 172,801	\$ 170,780
Less: GAAP net income (loss)	7,976	(1,309)
Total GAAP expenses	<u>164,825</u>	<u>172,089</u>
Amortization of intangible assets	(2,456)	(3,195)
Stock-based compensation	(24,752)	(17,622)
Tax accrual reversal	3,089	-
Litigation benefit	7,000	-
Restructuring costs	(8,579)	(9,399)
Other-than-temporary decline in long-term investment	-	(1,414)
Total non-GAAP operating expenses	<u>\$ 139,127</u>	<u>\$ 140,459</u>
	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Net income reconciliation:		
GAAP net income (loss)	\$ 7,976	\$ (1,309)
Purchase accounting adjustment	-	355
Amortization of intangible assets	2,456	3,195
Stock-based compensation	24,752	17,622
Tax accrual reversal	(3,089)	-
Litigation benefit	(7,000)	-
Restructuring costs	8,579	9,399
Other-than-temporary decline in long-term investment	-	1,414
Non-GAAP net income	<u>\$ 33,674</u>	<u>\$ 30,676</u>
	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Net income per share reconciliation:		
GAAP net income (loss) per share - basic	\$ 0.09	\$ (0.02)
Purchase accounting adjustment	-	0.00
Amortization of intangible assets	0.03	0.04
Stock-based compensation	0.29	0.22
Tax accrual reversal	(0.04)	-
Litigation benefit	(0.08)	-
Restructuring costs	0.10	0.12
Other-than-temporary decline in long-term investment	-	0.02
Non-GAAP net income per share - basic	<u>\$ 0.39</u>	<u>\$ 0.38</u>
Non-GAAP net income per share - diluted	\$ 0.38	\$ 0.36
Weighted average shares - basic	86,578	81,681
Weighted average shares - diluted	88,753	84,344

Ariba, Inc. and Subsidiaries
Q2 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
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
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
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
Subscription software revenue growth rates (Yr/Yr)														
Subscription software revenue	18%	15%	29%	27%	37%	83%	68%	74%	72%	27%	25%	26%	15%	16%
Non-GAAP subscription software revenue	18%	15%	29%	27%	40%	97%	76%	78%	71%	18%	19%	23%	14%	16%
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
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
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)
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
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
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
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

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,		
	2010 Reported	Adj	2010 Non- GAAP	2009 Reported	Adj	2009 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 58,756	\$ -	\$ 58,756	\$ 54,856	\$ -	\$ 54,856
Services and other	28,374	-	28,374	29,837	-	29,837
Total revenues	<u>87,130</u>	<u>-</u>	<u>87,130</u>	<u>84,693</u>	<u>-</u>	<u>84,693</u>
Cost of revenues:						
Subscription and maintenance (3)	12,639	(836)	11,803	11,832	(541)	11,291
Services and other (3)	19,954	(1,328)	18,626	18,524	(848)	17,676
Amortization of acquired technology and customer intangible assets (2)	1,025	(1,025)	-	1,387	(1,387)	-
Total cost of revenues	<u>33,618</u>	<u>(3,189)</u>	<u>30,429</u>	<u>31,743</u>	<u>(2,776)</u>	<u>28,967</u>
Gross profit	<u>53,512</u>	<u>3,189</u>	<u>56,701</u>	<u>52,950</u>	<u>2,776</u>	<u>55,726</u>
Operating expenses:						
Sales and marketing (3)	28,641	(5,429)	23,212	25,927	(3,404)	22,523
Research and development (3)	11,344	(1,211)	10,133	10,451	(1,071)	9,380
General and administrative (3) (6)	5,756	664	6,420	12,212	(2,232)	9,980
Litigation benefit (5)	(7,000)	7,000	-	-	-	-
Amortization of other intangible assets (2)	-	-	-	210	(210)	-
Restructuring costs (4)	8,579	(8,579)	-	7,698	(7,698)	-
Total operating expenses	<u>47,320</u>	<u>(7,555)</u>	<u>39,765</u>	<u>56,498</u>	<u>(14,615)</u>	<u>41,883</u>
Income (loss) from operations	6,192	10,744	16,936	(3,548)	17,391	13,843
Interest and other income (expense), net	74	-	74	(739)	-	(739)
Income (loss) before income taxes	<u>6,266</u>	<u>10,744</u>	<u>17,010</u>	<u>(4,287)</u>	<u>17,391</u>	<u>13,104</u>
Provision for income taxes	515	-	515	449	-	449
Net income (loss)	<u>\$ 5,751</u>	<u>\$ 10,744</u>	<u>\$ 16,495</u>	<u>\$ (4,736)</u>	<u>\$ 17,391</u>	<u>\$ 12,655</u>
Net income (loss) per share						
Basic	\$ 0.07		\$ 0.19	\$ (0.06)		\$ 0.15
Diluted	\$ 0.06		\$ 0.19	\$ (0.06)		\$ 0.15
Weighted average shares						
Basic	86,578		86,578	82,416		82,416
Diluted	88,753		88,753	82,416		84,645

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,		
	2010 Reported	Adj	2010 Non- GAAP	2009 Reported	Adj	2009 Non- GAAP
Revenues:						
Subscription and maintenance (1)	\$ 117,129	\$ -	\$ 117,129	\$ 108,937	\$ 355	\$ 109,292
Services and other	55,672	-	55,672	61,843	-	61,843
Total revenues	<u>172,801</u>	<u>-</u>	<u>172,801</u>	<u>170,780</u>	<u>355</u>	<u>171,135</u>
Cost of revenues:						
Subscription and maintenance (3)	25,313	(1,770)	23,543	23,480	(1,166)	22,314
Services and other (3)	39,416	(2,762)	36,654	38,322	(1,878)	36,444
Amortization of acquired technology and customer intangible assets (2)	2,352	(2,352)	-	2,775	(2,775)	-
Total cost of revenues	<u>67,081</u>	<u>(6,884)</u>	<u>60,197</u>	<u>64,577</u>	<u>(5,819)</u>	<u>58,758</u>
Gross profit	<u>105,720</u>	<u>6,884</u>	<u>112,604</u>	<u>106,203</u>	<u>6,174</u>	<u>112,377</u>
Operating expenses:						
Sales and marketing (3)	56,943	(11,144)	45,799	53,504	(7,286)	46,218
Research and development (3)	22,490	(2,588)	19,902	21,355	(2,495)	18,860
General and administrative (3) (6)	16,453	(3,399)	13,054	23,815	(4,797)	19,018
Litigation benefit (5)	(7,000)	7,000	-	-	-	-
Insurance reimbursement	-	-	-	(7,527)	-	(7,527)
Amortization of other intangible assets (2)	104	(104)	-	420	(420)	-
Restructuring costs (4)	8,579	(8,579)	-	9,399	(9,399)	-
Total operating expenses	<u>97,569</u>	<u>(18,814)</u>	<u>78,755</u>	<u>100,966</u>	<u>(24,397)</u>	<u>76,569</u>
Income from operations	8,151	25,698	33,849	5,237	30,571	35,808
Interest and other income (expense), net (5)	395	-	395	(5,755)	1,414	(4,341)
Income (loss) before income taxes	<u>8,546</u>	<u>25,698</u>	<u>34,244</u>	<u>(518)</u>	<u>31,985</u>	<u>31,467</u>
Provision for income taxes	570	-	570	791	-	791
Net income (loss)	<u>\$ 7,976</u>	<u>\$ 25,698</u>	<u>\$ 33,674</u>	<u>\$ (1,309)</u>	<u>\$ 31,985</u>	<u>\$ 30,676</u>
Net income (loss) per share						
Basic	\$ 0.09		\$ 0.39	\$ (0.02)		\$ 0.38
Diluted	\$ 0.09		\$ 0.38	\$ (0.02)		\$ 0.36
Weighted average shares						
Basic	86,578		86,578	81,681		81,681
Diluted	88,507		88,507	81,681		84,344

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 and (vi) 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, 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.

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

(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 costs.* We recorded restructuring related to lease abandonment accruals and/or severance and related benefits in the three months and six months ended March 31, 2009 and the three months and six months ended March 31, 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 three months and six months ended March 31, 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 three months and six months ended March 31, 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 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.

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Ariba, Inc. and Subsidiaries
 Reconciliation of Outlook for the Quarter Ending June 30, 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 June 30, 2010	
	Low	High
	\$	\$
<u>Projected revenue:</u>	89,000	91,000

	Range for the Three Months Ending June 30, 2010	
	Low	High
	\$	\$
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	85,000	85,000
Amortization of intangible assets	(1,000)	(1,000)
Stock-based compensation	(11,000)	(11,000)
Non-GAAP projected total expenses	<u>73,000</u>	<u>73,000</u>

	Range for the Three Months Ending June 30, 2010	
	Low	High
	\$	\$
<u>Projected net income reconciliation:</u>		
GAAP projected net income	4,000	6,000
Amortization of intangible assets	1,000	1,000
Stock-based compensation	11,000	11,000
Non-GAAP projected net income	<u>16,000</u>	<u>18,000</u>

	Range for the Three Months Ending June 30, 2010	
	Low	High
	\$	\$
<u>Projected net income per share reconciliation:</u>		
GAAP projected net income per share - basic	0.05	0.07
Amortization of intangible assets	0.01	0.01
Stock-based compensation	0.13	0.13
Non-GAAP projected net income per share - basic	<u>0.18</u>	<u>0.21</u>
Non-GAAP projected net income per share - diluted	\$ 0.18	\$ 0.20
Projected weighted average shares - basic	87,300	87,300
Projected weighted average shares - diluted	89,100	89,100

Please refer to safe harbor statement

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Ariba, Inc. and Subsidiaries
Q2 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	FY2010 Q2 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>
NG Profit Before Other Income/(Exp)	(A)	27.6	14.4	13.8	15.2	15.9	59.4	16.9	16.9
%		8%	17%	16%	18%	19%	18%	20%	19%
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)
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
Tax/Other		0.2	(0.5)	(0.3)	0.2	(0.1)	(0.8)	(0.5)	(0.5)
Insurance Reimbursement			7.5	-			7.5	-	-
Total Other Income/(Exp)		<u>8.2</u>	<u>3.6</u>	<u>(1.2)</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>1.7</u>	<u>0.3</u>	<u>(0.4)</u>
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>
Diluted Shares		82,250	84,044	84,645	85,447	87,561	85,424	88,262	88,753
EPS		0.44	0.21	0.15	0.17	0.18	0.71	0.19	0.19
NG Op Profit incl Contract Mark to Market FX		<u>30.6</u>	<u>12.9</u>	<u>12.6</u>	<u>14.1</u>	<u>15.6</u>	<u>55.3</u>	<u>17.4</u>	<u>16.5</u>
= (A) + (B)									
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>

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) 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.