

Supplemental Presentation Material for Quarter Ending March 31, 2011

April 28, 2011

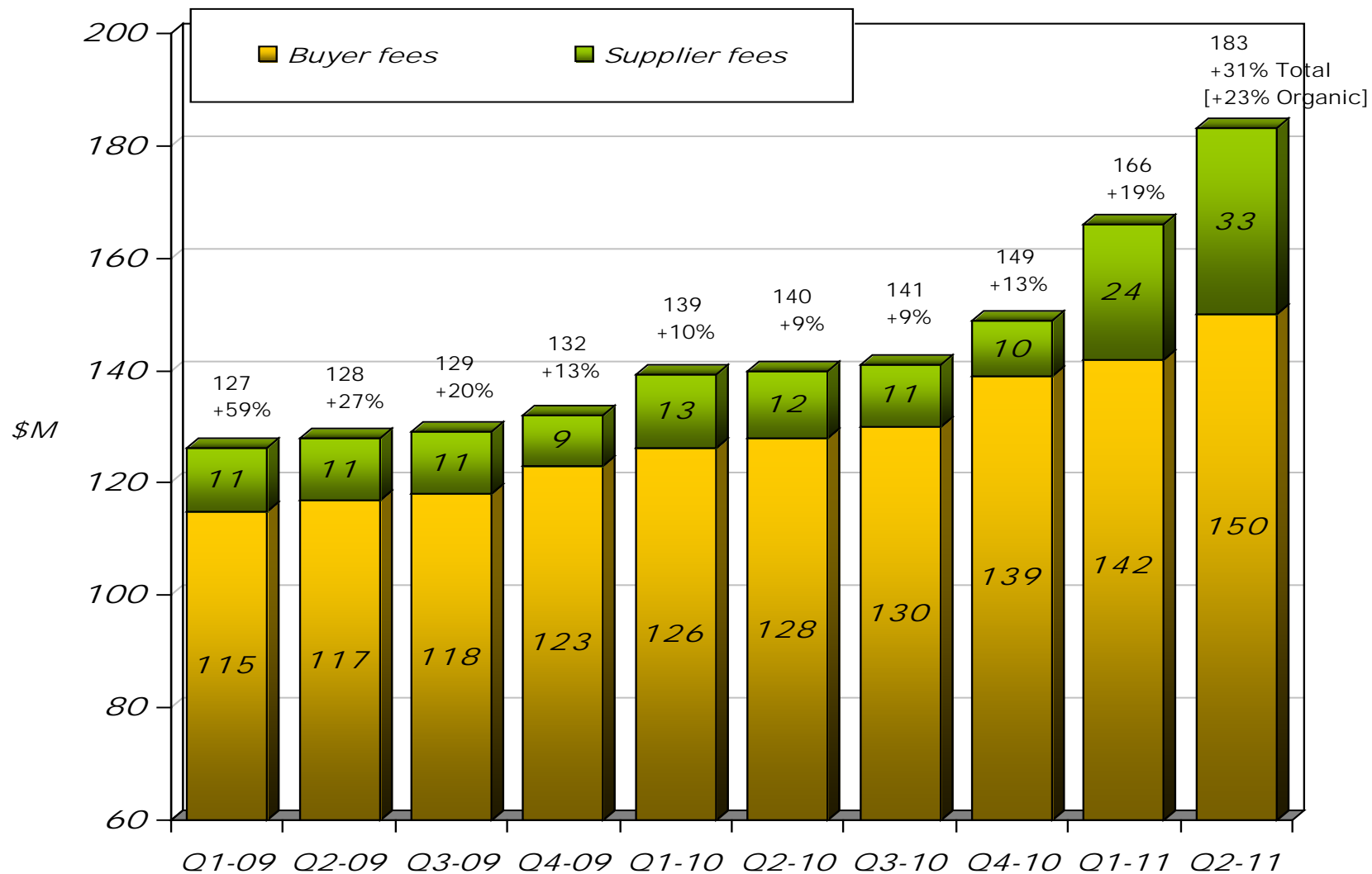
Ariba Safe Harbor Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act 1995: Information and announcements in this presentation involve Ariba's expectations, beliefs, hopes, plans, intentions or strategies regarding the future and are forward-looking statements that involve risks and uncertainties. These forward looking statements include statements relating to the company's real estate forecast, estimated fiscal 2011 financial results and long-term financial model. Actual results may differ materially from expected results. All forward-looking statements included in this presentation are based upon information available to Ariba as of the date of the presentation, and we assume no obligation to update any such forward-looking statements. These statements are not guarantees of future performance and actual results could differ materially from our current expectations. Factors that could cause or contribute to Ariba's operating and financial results to differ materially from current expectations include, but are not limited to: the impact of the credit crises on Ariba's results of operations and financial condition; delays in development or shipment of new versions of Ariba's products and services; lack of market acceptance of Ariba's existing or future products or services; inability to continue to develop competitive new products and services on a timely basis; introduction of new products or services by major competitors; the impact of any acquisitions and dispositions, including our recently completed acquisition of the business of Quadrem International Holdings, Ltd., such as difficulties with the integration process or the realization of benefits of a transaction; the disruption or loss of customer, business partner, supplier or employee relationships and the level of costs and expenses incurred by Ariba as a result of such transactions; the impact of our recent disposition of our sourcing service and business process outsourcing business, including the potential disruption of our ongoing business; the ability to attract and retain qualified employees; long and unpredictable sales cycles and the deferrals of anticipated orders; declining economic conditions, including the impact of a recession; inability to control costs; changes in the company's pricing or compensation policies; significant fluctuations in our stock price; the outcome of and costs associated with pending or potential future regulatory or legal proceedings. Factors and risks associated with its business, including a number of the factors and risks described above, are discussed in Ariba's latest Form 10-Q filed with the SEC on February 3rd, 2011.

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



Annualized Sub SW Backlog - Up \$43M Y/Y

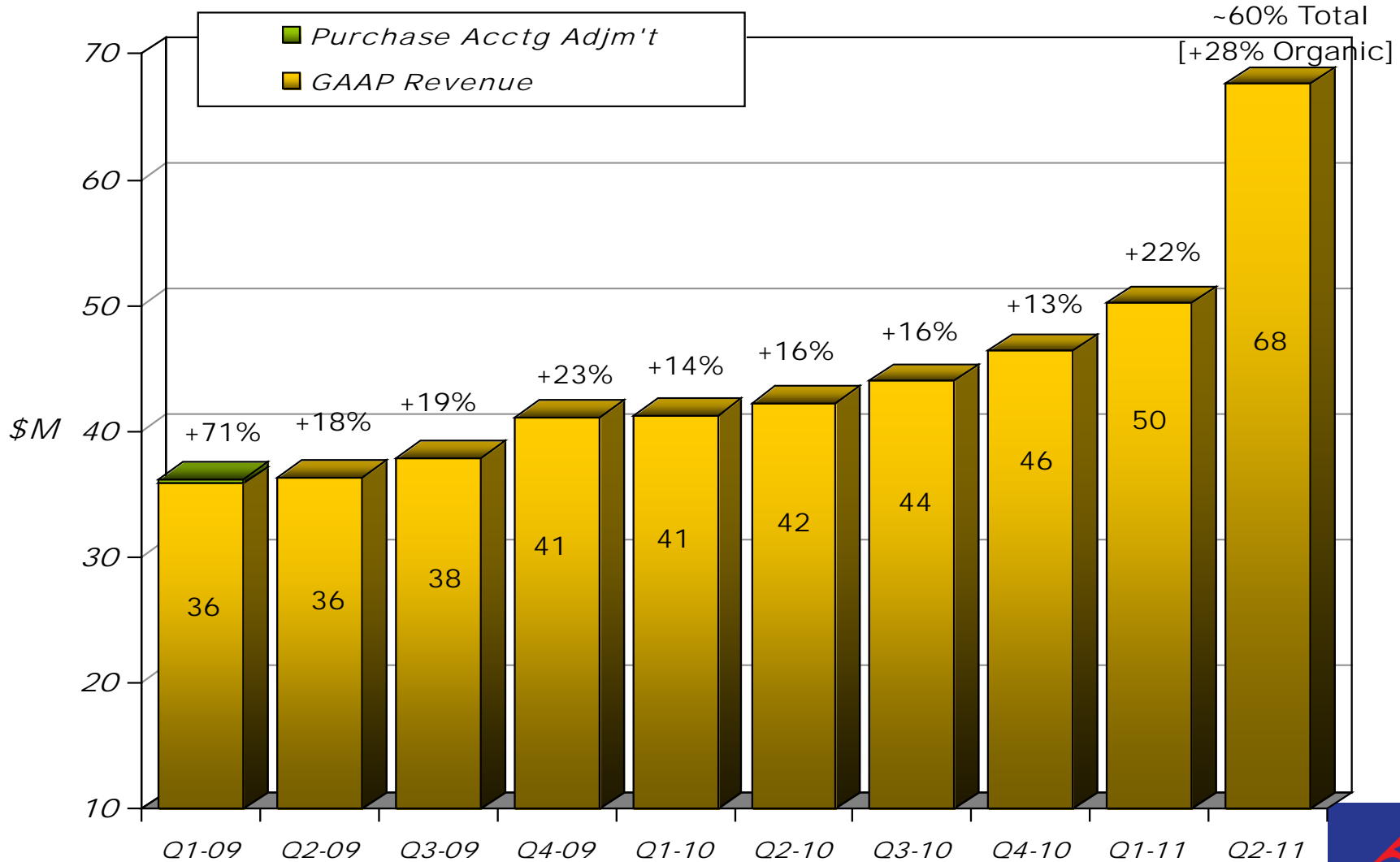


In Q2-11 \$12M is added for Quadrem comprising \$5M Buyer and \$7M Supplier fees. Quadrem backlog is lower as they bill monthly and quarterly.

Percentages represent Y/Y growth rates



Non GAAP Sub SW Revenue up +28% organically and +60% with Quadrem in Q2-11

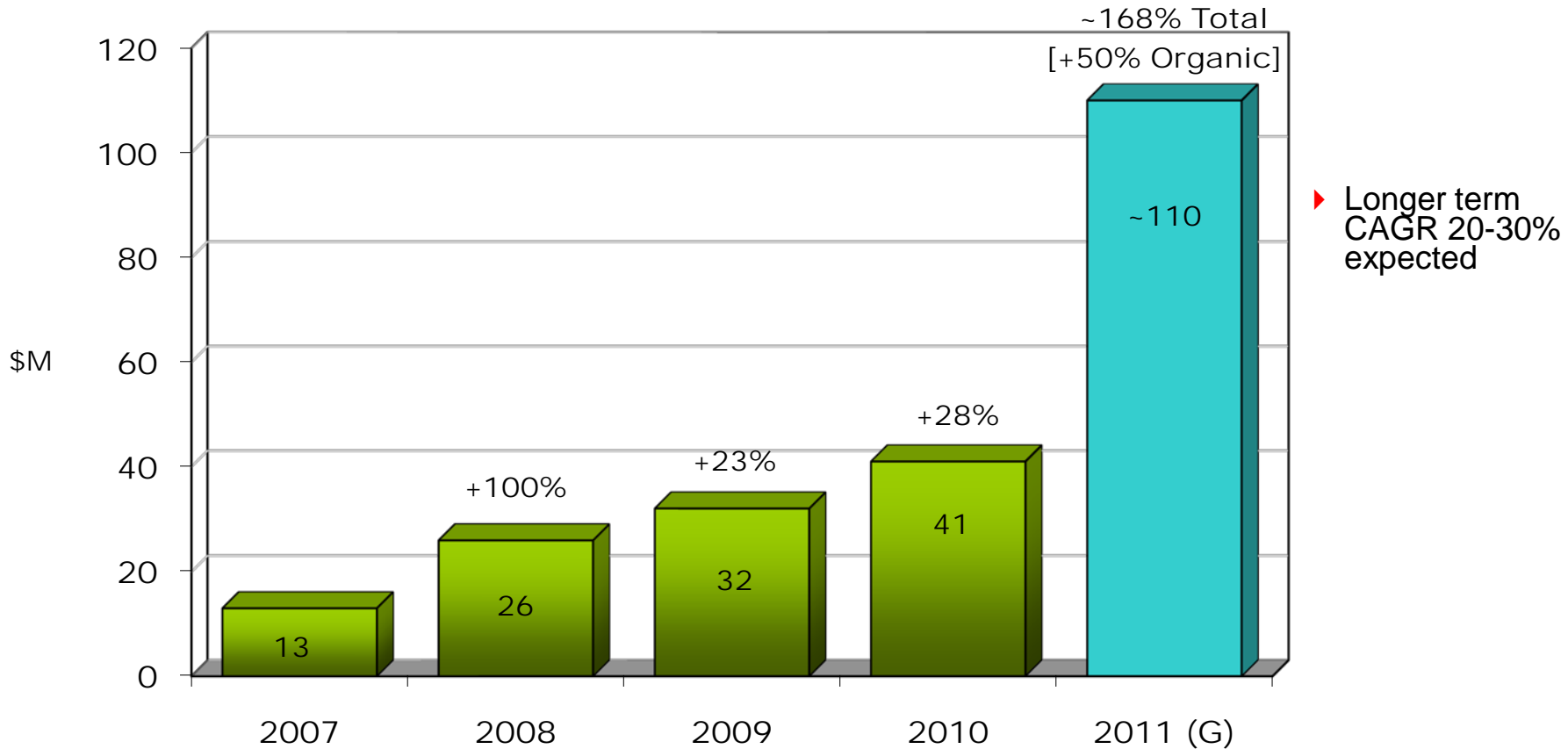


Q2-11 Includes approximately 2 months of Quadrem

Percentages represent Y/Y growth rates



Network Software Revenue -- expected to grow +50% organically and +168% with Quadrem 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 April 28, 2011

Percentages represent Y/Y growth rates

Please refer to safe harbor statement



Q2 Results Above the January Outlook

Continuing Operations:	Q1 11 <u>Actual</u>	January <u>Outlook</u>	Q2 11 <u>Actual</u> ⁽¹⁾
Subscription Software Revenue	50.2M	~63M	67.6M
Maintenance Revenues	15.6M	~15.5M	15.3M
Services and Other	24.6M	25 - 27M	25.9M
Total Revenue	90.4M	103 - 106M	108.8M
Non-GAAP EPS	18¢	17 - 19 ¢	19¢

(1) Includes approximately 2 months of Quadrem.



FY 2011 Revised Guidance

Continuing Ops incl 8 mths Quadrem	<u>FY10 Actual</u>	<u>FY11 January Guidance</u>	<u>Raised Guidance</u>	<u>FY11 April Guidance</u>	<u>Total Growth</u>	<u>Organic Growth</u>	<u>Mix</u>
Network	41M	100 - 102M	9M	109 - 111M	+168%	+50%	26%
Other Applications	<u>133M</u>	<u>155 - 157M</u>		<u>155 - 157M</u>	+17%	+16%	36%
Total Subs SW	174M	255 - 259M	9M	264 - 268M	+53%	+24%	62%
Maintenance	67M	61M	-2M	59M	-12%	-12%	14%
Services & Other	80M	101M+/- 5	2M	103M+/- 5	+29%	+17%	24%
Total Revenue	320M	419M+/- 5	9M	426 - 430 M+/- 5	+34%	+15%	
Non-GAAP EPS	71¢	77 - 81¢	0¢	77 - 81¢	+11%	+11%	

Please refer to safe harbor statement



FY 2011 Revised Cash-Flow Guidance

Continuing Ops :	<u>FY 2010 Actual</u>	<u>FY11 January Guidance</u>	<u>New Svale lease, other</u>	<u>FY11 April Guidance</u>
Cash Flow from Operations before lease-losses and litigation receipt	72M	86M+/-5M	2M	88M+/-5M
Lease-loss payments	-17M	-16M	-2M	-18M
Emptoris Litigation Receipt	7M			
Cash Flow from Operations	62M	70M+/-5M	0M	70M+/-5M

Notes: Above excludes Capex. Q2 Capex increased to \$8.3M reflecting a server/storage refresh cycle. We also expect to have ~\$12M of Leasehold improvements related to the new Svale premises in H2 while Quadrem is expected to add ~\$2M to FY11. FY11 Capex is expected to be ~\$28M incl Quadrem. Thereafter Capex is expected to fall back to a more normal ~\$13-15M including Quadrem.



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 is currently 1 vacant floor.
- ▶ As of 3/31/11, \$28.3M is reserved on the balance sheet for lease loss.
- ▶ Lease end date is January 2013

\$M	<u>3Q'11</u>	<u>4Q '11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
Per Period	3.8	3.8	15.2	5.5	28.3
Quarterly Average	3.8	3.8	3.8	4.1	3.9

- The “Per Period” amounts represent the quarterly or annual reduction (cash flow usage) associated with the \$28.3M real estate lease loss restructuring reserve.
- In 2Q ‘11, we executed a lease in California that commences in 3Q ‘11. We currently anticipate abandoning the space we currently occupy in 3Q ‘11 which is expected to result in a restructuring charge of approximately \$12M in lease-loss expense once the space is abandoned and approximately \$3M in accelerated depreciation on fixed assets, of which approximately \$1M was recorded in 2Q ‘11 and approximately \$2M is expected to be recorded in 3Q ‘11. The quarterly cash flow usage post abandonment is expected to be as follows:

\$M	<u>3Q'11</u>	<u>4Q '11</u>	<u>FY12</u>	<u>FY13</u>	<u>Total</u>
Per Period	4.1	5.9	23.8	8.5	42.3
Quarterly Average	4.1	5.9	6.0	6.4	5.8



Supplemental Information:

Cash, Restricted Cash & Investments

Cash, Restricted Cash & Investments

	<u>Geography</u>	<u>Interest rate</u>	<u>Balance at 3/31/2011</u>
Cash, Cash Equiv & S/T	Current Asset	0.5%	\$198M
Restricted Cash	Non-Current Asset	0.5%	29M
Long-term Investments	Non-Current Asset	2.2%*	<u>25M</u>
Total Cash, Restricted Cash and Investments		0.7%*	\$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.

Supplemental Information:

Financials

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

	March 31, 2011	September 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 182,837	\$ 182,393
Short-term investments	14,784	18,449
Restricted cash	104	104
Accounts receivable, net	36,367	21,781
Prepaid expenses and other current assets	22,403	7,942
Total current assets	256,495	230,669
Property and equipment, net	22,750	15,958
Long-term investments	25,306	22,283
Restricted cash, less current portion	29,260	29,137
Goodwill	482,625	406,507
Other intangible assets, net	70,222	13,154
Other assets	5,069	4,001
Total assets	\$ 891,727	\$ 721,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,816	\$ 11,190
Accrued compensation and related liabilities	26,538	32,079
Accrued liabilities	24,406	18,398
Restructuring obligations	14,899	17,188
Deferred revenue	129,816	97,005
Total current liabilities	209,475	175,860
Deferred rent obligations	6,740	9,880
Restructuring obligations, less current portion	13,377	23,339
Deferred revenue, less current portion	12,438	7,285
Other long-term liabilities	25,783	6,391
Total liabilities	267,813	222,755
Stockholders' equity:		
Common stock	194	188
Additional paid-in capital	5,319,414	5,236,265
Accumulated other comprehensive loss	(2,174)	(1,879)
Accumulated deficit	(4,693,520)	(4,735,620)
Total stockholders' equity	623,914	498,954
Total liabilities and stockholders' equity	\$ 891,727	\$ 721,709



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,	
	2011	2010	2011	2010
Revenues:				
Subscription and maintenance	\$ 82,849	\$ 58,756	\$ 148,707	\$ 117,129
Services and other	25,916	18,552	50,478	35,371
Total revenues	<u>108,765</u>	<u>77,308</u>	<u>199,185</u>	<u>152,500</u>
Cost of revenues:				
Subscription and maintenance	17,680	12,639	31,970	25,313
Services and other	19,217	13,211	34,524	25,659
Amortization of acquired technology and customer intangible assets	3,075	1,025	4,100	2,352
Total cost of revenues	<u>39,972</u>	<u>26,875</u>	<u>70,594</u>	<u>53,324</u>
Gross profit	<u>68,793</u>	<u>50,433</u>	<u>128,591</u>	<u>99,176</u>
Operating expenses:				
Sales and marketing	39,831	27,069	75,547	53,761
Research and development	15,004	11,344	27,496	22,490
General and administrative	14,541	5,071	25,151	15,083
Litigation benefit	-	(7,000)	-	(7,000)
Amortization of other intangible assets	242	-	242	104
Restructuring costs (benefit)	231	8,579	(2,692)	8,579
Total operating expenses	<u>69,849</u>	<u>45,063</u>	<u>125,744</u>	<u>93,017</u>
Operating (loss) income	(1,056)	5,370	2,847	6,159
Interest and other income, net	326	143	1,095	420
(Loss) income from continuing operations before income taxes	(730)	5,513	3,942	6,579
Provision for (benefit from) income taxes	861	478	(2,951)	495
(Loss) income from continuing operations	(1,591)	5,035	6,893	6,084
Discontinued operations, net of tax:				
Income (loss) from discontinued operations	1,147	716	(3,957)	1,892
Gain on sale of discontinued operations	445	-	39,164	-
Total discontinued operations	<u>1,592</u>	<u>716</u>	<u>35,207</u>	<u>1,892</u>
Net income	<u>\$ 1</u>	<u>\$ 5,751</u>	<u>\$ 42,100</u>	<u>\$ 7,976</u>
Basic earnings per share:				
(Loss) income from continuing operations	\$ (0.02)	\$ 0.06	\$ 0.08	\$ 0.07
Discontinued operations, net of tax	0.02	0.01	0.39	0.02
Net income per basic common share	<u>\$ 0.00</u>	<u>\$ 0.07</u>	<u>\$ 0.47</u>	<u>\$ 0.09</u>
Diluted earnings per share:				
(Loss) income from continuing operations	\$ (0.02)	\$ 0.06	\$ 0.07	\$ 0.07
Discontinued operations, net of tax	0.02	0.01	0.38	0.02
Net income per diluted common share	<u>\$ 0.00</u>	<u>\$ 0.07</u>	<u>\$ 0.45</u>	<u>\$ 0.09</u>
Weighted average shares - basic	91,846	86,578	90,239	85,869
Weighted average shares - diluted	94,798	88,753	93,686	88,507



Ariba, Inc. and Subsidiaries

Cash Flows

(Unaudited; in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Operating activities:				
Net income	\$ 1	\$ 5,751	\$ 42,100	\$ 7,976
Less income from discontinued operations, net of tax	(1,592)	(716)	(35,207)	(1,892)
Income from continuing operations	(1,591)	5,035	6,893	6,084
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:				
Provision for doubtful accounts	107	267	272	313
Depreciation	2,554	2,011	4,628	3,850
Amortization of intangible assets	3,317	1,025	4,342	2,456
Stock-based compensation	14,211	10,820	27,045	23,926
Restructuring costs (benefit)	231	8,579	(2,692)	8,579
Other-than temporary impairment of long-term investments	-	-	-	499
Changes in operating assets and liabilities:				
Accounts receivable	653	(528)	(1,296)	(580)
Prepaid expense and other assets	(4,010)	(1,120)	(4,662)	(2,009)
Accounts payable	(1,512)	269	(1,421)	348
Accrued compensation and related liabilities	6,128	2,787	(7,567)	(8,644)
Accrued liabilities	(2,121)	(5,949)	(8,656)	(6,034)
Deferred revenue	11,925	5,937	32,842	14,967
Restructuring obligations	(4,015)	(4,210)	(8,275)	(8,536)
Net cash provided by continuing operations	25,877	24,923	41,453	35,219
Net cash (used in) provided by discontinued operations	(589)	1,482	(1,710)	1,691
Net cash provided by operating activities	25,288	26,405	39,743	36,910
Investing activities:				
Cash paid for acquisition, net of cash acquired	(62,662)	-	(62,662)	-
Proceeds from sale of discontinued operations	4,149	-	43,149	-
Purchases of property and equipment	(8,279)	(4,436)	(10,394)	(5,822)
Maturities of investments, net of purchases	(232)	495	227	(7,136)
Net cash used in investing activities	(67,024)	(3,941)	(29,680)	(12,958)
Financing activities:				
Proceeds from issuance of common stock, net	2,977	2,057	3,408	2,084
Repurchase of common stock	-	(808)	(12,802)	(5,864)
Net cash provided by (used in) financing activities	2,977	1,249	(9,394)	(3,780)
Effect of exchange rates on cash and cash equivalents	(158)	32	(225)	25
Net change in cash and cash equivalents	(38,917)	23,745	444	20,197
Cash and cash equivalents at beginning of period	221,754	127,333	182,393	130,881
Cash and cash equivalents at end of period	\$ 182,837	\$ 151,078	\$ 182,837	\$ 151,078



Non-GAAP Financial Measures

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

Non-GAAP financial measures should not be considered as a substitute for, or superior to, GAAP financial measures, which should be considered as the primary financial metrics for evaluating our financial performance. Significantly, non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. Instead, they are based on subjective determinations by management designed to supplement our GAAP financial measures. They are subject to a number of important limitations and should be considered only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For example, our non-GAAP financial measures have the effect of excluding 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, 2011	Three Months Ended March 31, 2010
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 108,765	\$ 77,308
Less: GAAP net income	1	5,751
Total GAAP expenses	108,764	71,557
Amortization of intangible assets	(3,317)	(1,025)
Stock-based compensation	(14,211)	(10,820)
Tax accrual reversal	-	3,089
Litigation benefit	-	7,000
Restructuring costs	(231)	(8,579)
Transaction costs	(1,481)	-
Discontinued operations	1,592	716
Total non-GAAP operating expenses	\$ 91,116	\$ 61,938

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
<u>Net income reconciliation:</u>		
GAAP net income	\$ 1	\$ 5,751
Amortization of intangible assets	3,317	1,025
Stock-based compensation	14,211	10,820
Tax accrual reversal	-	(3,089)
Litigation benefit	-	(7,000)
Restructuring costs	231	8,579
Transaction costs	1,481	-
Discontinued operations	(1,592)	(716)
Non-GAAP income from continuing operations	\$ 17,649	\$ 15,370

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
<u>Net income per share reconciliation:</u>		
GAAP net income per share - basic	\$ 0.00	\$ 0.07
Amortization of intangible assets	0.04	0.01
Stock-based compensation	0.15	0.13
Tax accrual reversal	-	(0.04)
Litigation benefit	-	(0.08)
Restructuring costs	0.00	0.10
Transaction costs	0.02	-
Discontinued operations	(0.02)	(0.01)
Non-GAAP income from continuing operations per share - basic	\$ 0.19	\$ 0.18
Non-GAAP income from continuing operation per share - diluted	\$ 0.19	\$ 0.17
Weighted average shares - basic	91,846	86,578
Weighted average shares - diluted	94,798	88,753



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>Six Months Ended March 31, 2011</u>	<u>Six Months Ended March 31, 2010</u>
<u>Expense reconciliation:</u>		
GAAP revenue	\$ 199,185	\$ 152,500
Less: GAAP net income	<u>42,100</u>	<u>7,976</u>
Total GAAP expenses	157,085	144,524
Amortization of intangible assets	(4,342)	(2,456)
Stock-based compensation	(27,045)	(23,926)
Tax accrual reversal	3,942	3,089
Litigation benefit	-	7,000
Restructuring benefit (costs)	2,692	(8,579)
Transaction costs	(2,471)	-
Discontinued operations	<u>35,207</u>	<u>1,892</u>
Total non-GAAP operating expenses	<u>\$ 165,068</u>	<u>\$ 121,544</u>

	<u>Six Months Ended March 31, 2011</u>	<u>Six Months Ended March 31, 2010</u>
<u>Net income reconciliation:</u>		
GAAP net income	\$ 42,100	\$ 7,976
Amortization of intangible assets	4,342	2,456
Stock-based compensation	27,045	23,926
Tax accrual reversal	(3,942)	(3,089)
Litigation benefit	-	(7,000)
Restructuring (benefit) costs	(2,692)	8,579
Transaction costs	2,471	-
Discontinued operations	<u>(35,207)</u>	<u>(1,892)</u>
Non-GAAP income from continuing operations	<u>\$ 34,117</u>	<u>\$ 30,956</u>

	<u>Six Months Ended March 31, 2011</u>	<u>Six Months Ended March 31, 2010</u>
<u>Net income per share reconciliation:</u>		
GAAP net income per share - basic	\$ 0.47	\$ 0.09
Amortization of intangible assets	0.05	0.03
Stock-based compensation	0.30	0.28
Tax accrual reversal	(0.05)	(0.04)
Litigation benefit	-	(0.08)
Restructuring (benefit) costs	(0.03)	0.10
Transaction costs	0.03	-
Discontinued operations	<u>(0.39)</u>	<u>(0.02)</u>
Non-GAAP income from continuing operations per share - basic	<u>\$ 0.38</u>	<u>\$ 0.36</u>
Non-GAAP income from continuing operation per share - diluted	\$ 0.36	\$ 0.35
Weighted average shares - basic	90,239	85,869
Weighted average shares - diluted	93,686	88,507



Discussion of Specific Items Excluded From Non-GAAP Financial Measures

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

- 1) *Amortization of Acquired Intangible Assets.* In accordance with GAAP, we amortize intangible assets acquired in connection with acquisitions over the estimated useful lives of the assets. We exclude these amortization costs in our non-GAAP financial measures because they (i) result from prior acquisitions, rather than the ongoing operating performance of our business, and (ii) absent additional acquisitions, are expected to decline over time as the remaining carrying amounts of these assets are amortized. We believe excluding these costs helps investors compare our financial performance with that of other companies with different acquisition histories. However, as with impairment charges, we recognize that amortization costs provide a helpful measure of the financial impact and performance of prior acquisitions and consider our non-GAAP financial measures in conjunction with our GAAP financial results that include amortization costs.
- 2) *Stock-Based Compensation Expenses.* We exclude stock-based compensation expense associated with stock options and stock granted to employees and non-executive directors in our non-GAAP financial measures. While stock-based compensation is a significant component of our expenses, we believe that investors wish to be able to exclude the effects of stock-based compensation expense in comparing our financial performance with that of other companies.
- 3) *Tax accrual reversal.* We released tax reserves in the six months ended March 31, 2011 and 2010. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the tax reserve releases helps investors compare our operating performance with that of other companies.

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

- 4) *Litigation benefit.* We received \$7.0 million from Emptoris in relation to a patent litigation judgment which we recorded as income in the 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.
- 5) *Restructuring cost (benefit).* We recorded a restructuring cost (benefit) related to lease abandonment accruals in the three months and six months ended March 31, 2011 and 2010 and a restructuring cost related to asset impairment in the three months ended March 31, 2011. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations and are significantly impacted by factors outside our control. We believe excluding restructuring costs helps investors compare our operating performance with that of other companies. We recognize, however, that restructuring costs will impact cash flows and that we and investors should carefully consider the impact of these costs on future cash flows.
- 6) *Transaction related costs.* We recorded transaction related costs in the three and six months ended March 31, 2011. We exclude these from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the transaction related costs helps investors compare our operating performance with that of other companies. We recognize, however, that the transaction related costs impact cash flow and that we and investors should carefully consider the impact of this on cash flow.
- 7) *Discontinued Operations.* We exclude the results of discontinued operations from our non-GAAP financial measures because they are unrelated to our ongoing operations. We believe excluding the results of discontinued operations helps investors compare our operating performance with that of other companies. We recognize, however, that the discontinued operations impact cash flow and that we and investors should carefully consider the impact of this on cash flow.

Ariba, Inc. and Subsidiaries
 Reconciliation of Outlook for the Quarter Ending June 30, 2011
 (Unaudited; in thousands, except per share data)

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

	Range for the Three Months Ending June 30, 2011	
	Low	High
<u>Projected revenue:</u>	\$ 113,000	\$ 115,000

	Range for the Three Months Ending June 30, 2011	
	Low	High
<u>Projected expense reconciliation:</u>		
GAAP projected total expenses	\$ 128,800	\$ 128,800
Amortization of intangible assets	(4,300)	(4,300)
Stock-based compensation	(15,000)	(15,000)
Restructuring charge	(14,000)	(14,000)
Non-GAAP projected total expenses	\$ 95,500	\$ 95,500

	Range for the Three Months Ending June 30, 2011	
	Low	High
<u>Projected net income (loss) reconciliation:</u>		
GAAP projected net loss	\$ (15,800)	\$ (13,800)
Amortization of intangible assets	4,300	4,300
Stock-based compensation	15,000	15,000
Restructuring charge	14,000	14,000
Non-GAAP projected net income	\$ 17,500	\$ 19,500

	Range for the Three Months Ending June 30, 2011	
	Low	High
<u>Projected net income per share reconciliation:</u>		
GAAP projected net loss per share - basic	\$ (0.17)	\$ (0.15)
Amortization of intangible assets	0.05	0.05
Stock-based compensation	0.16	0.16
Restructuring charge	0.15	0.15
Non-GAAP projected net income per share - basic	\$ 0.19	\$ 0.21
Non-GAAP projected net income per share - diluted	\$ 0.18	\$ 0.20
Projected weighted average shares - basic	94,500	94,500
Projected weighted average shares - diluted	97,700	97,700



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,		
	2011 Reported	Adj	2011 Non- GAAP	2010 Reported	Adj	2010 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 82,849	\$ -	\$ 82,849	\$ 58,756	\$ -	\$ 58,756
Services and other	25,916	-	25,916	18,552	-	18,552
Total revenues	<u>108,765</u>	<u>-</u>	<u>108,765</u>	<u>77,308</u>	<u>-</u>	<u>77,308</u>
Cost of revenues:						
Subscription and maintenance (2)	17,680	(897)	16,783	12,639	(836)	11,803
Services and other (2)	19,217	(1,104)	18,113	13,211	(1,083)	12,128
Amortization of acquired technology and customer intangible assets (1)	3,075	(3,075)	-	1,025	(1,025)	-
Total cost of revenues	<u>39,972</u>	<u>(5,076)</u>	<u>34,896</u>	<u>26,875</u>	<u>(2,944)</u>	<u>23,931</u>
Gross profit	<u>68,793</u>	<u>5,076</u>	<u>73,869</u>	<u>50,433</u>	<u>2,944</u>	<u>53,377</u>
Operating expenses:						
Sales and marketing (2)	39,831	(7,011)	32,820	27,069	(5,265)	21,804
Research and development (2)	15,004	(2,218)	12,786	11,344	(1,211)	10,133
General and administrative (2) (6)	14,541	(4,462)	10,079	5,071	664	5,735
Litigation benefit (4)	-	-	-	(7,000)	7,000	-
Amortization of other intangible assets (1)	242	(242)	-	-	-	-
Restructuring costs (5)	231	(231)	-	8,579	(8,579)	-
Total operating expenses	<u>69,849</u>	<u>(14,164)</u>	<u>55,685</u>	<u>45,063</u>	<u>(7,391)</u>	<u>37,672</u>
Operating (loss) income	(1,056)	19,240	18,184	5,370	10,335	15,705
Interest and other income, net	326	-	326	143	-	143
(Loss) income from continuing operations before income taxes	(730)	19,240	18,510	5,513	10,335	15,848
Provision for income taxes	861	-	861	478	-	478
(Loss) income from continuing operations	(1,591)	19,240	17,649	5,035	10,335	15,370
Discontinued operations, net of tax:						
Income (loss) from discontinued operations (7)	1,147	(1,147)	-	716	(716)	-
Gain on sale of discontinued operations (7)	445	(445)	-	-	-	-
Total discontinued operations	<u>1,592</u>	<u>(1,592)</u>	<u>-</u>	<u>716</u>	<u>(716)</u>	<u>-</u>
Net income	<u>\$ 1</u>	<u>\$ 17,648</u>	<u>\$ 17,649</u>	<u>\$ 5,751</u>	<u>\$ 9,619</u>	<u>\$ 15,370</u>
Basic earnings per share:						
(Loss) income from continuing operations	\$ (0.02)		\$ 0.19	\$ 0.06		\$ 0.18
Discontinued operations, net of tax	0.02		0.00	0.01		-
Net income per basic common share	<u>\$ 0.00</u>		<u>\$ 0.19</u>	<u>\$ 0.07</u>		<u>\$ 0.18</u>
Diluted earnings per share:						
(Loss) income from continuing operations	\$ (0.02)		\$ 0.19	\$ 0.06		\$ 0.17
Discontinued operations, net of tax	0.02		0.00	0.00		-
Net income per diluted common share	<u>\$ 0.00</u>		<u>\$ 0.19</u>	<u>\$ 0.06</u>		<u>\$ 0.17</u>
Weighted average shares - basic	91,846		91,846	86,578		86,578
Weighted average shares - diluted	94,798		94,798	88,753		88,753



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,		
	2011 Reported	Adj	2011 Non- GAAP	2010 Reported	Adj	2010 Non- GAAP
Revenues:						
Subscription and maintenance	\$ 148,707	\$ -	\$ 148,707	\$ 117,129	\$ -	\$ 117,129
Services and other	50,478	-	50,478	35,371	-	35,371
Total revenues	<u>199,185</u>	<u>-</u>	<u>199,185</u>	<u>152,500</u>	<u>-</u>	<u>152,500</u>
Cost of revenues:						
Subscription and maintenance (2)	31,970	(1,685)	30,285	25,313	(1,770)	23,543
Services and other (2)	34,524	(1,993)	32,531	25,659	(2,269)	23,390
Amortization of acquired technology and customer intangible assets (1)	4,100	(4,100)	-	2,352	(2,352)	-
Total cost of revenues	<u>70,594</u>	<u>(7,778)</u>	<u>62,816</u>	<u>53,324</u>	<u>(6,391)</u>	<u>46,933</u>
Gross profit	<u>128,591</u>	<u>7,778</u>	<u>136,369</u>	<u>99,176</u>	<u>6,391</u>	<u>105,567</u>
Operating expenses:						
Sales and marketing (2)	75,547	(13,461)	62,086	53,761	(10,811)	42,950
Research and development (2)	27,496	(4,081)	23,415	22,490	(2,588)	19,902
General and administrative (2) (6)	25,151	(8,296)	16,855	15,083	(3,399)	11,684
Litigation benefit (4)	-	-	-	(7,000)	7,000	-
Amortization of other intangible assets (1)	242	(242)	-	104	(104)	-
Restructuring (benefit) costs (5)	(2,692)	2,692	-	8,579	(8,579)	-
Total operating expenses	<u>125,744</u>	<u>(23,388)</u>	<u>102,356</u>	<u>93,017</u>	<u>(18,481)</u>	<u>74,536</u>
Operating income	2,847	31,166	34,013	6,159	24,872	31,031
Interest and other income, net	1,095	-	1,095	420	-	420
Income from continuing operations before income taxes	3,942	31,166	35,108	6,579	24,872	31,451
(Benefit from) provision for income taxes (3)	(2,951)	3,942	991	495	-	495
Income from continuing operations	6,893	27,224	34,117	6,084	24,872	30,956
Discontinued operations, net of tax:						
(Loss) income from discontinued operations (7)	(3,957)	3,957	-	1,892	(1,892)	-
Gain on sale of discontinued operations (7)	39,164	(39,164)	-	-	-	-
Total discontinued operations	<u>35,207</u>	<u>(35,207)</u>	<u>-</u>	<u>1,892</u>	<u>(1,892)</u>	<u>-</u>
Net income	<u>\$ 42,100</u>	<u>\$ (7,983)</u>	<u>\$ 34,117</u>	<u>\$ 7,976</u>	<u>\$ 22,980</u>	<u>\$ 30,956</u>
Basic earnings per share:						
Income from continuing operations	\$ 0.08		\$ 0.38	\$ 0.07		\$ 0.36
Discontinued operations, net of tax	0.39		0.00	0.02		0.00
Net income per basic common share	<u>\$ 0.47</u>		<u>\$ 0.38</u>	<u>\$ 0.09</u>		<u>\$ 0.36</u>
Diluted earnings per share:						
Income from continuing operations	\$ 0.07		\$ 0.36	\$ 0.07		\$ 0.35
Discontinued operations, net of tax	0.38		0.00	0.02		0.00
Net income per diluted common share	<u>\$ 0.45</u>		<u>\$ 0.36</u>	<u>\$ 0.09</u>		<u>\$ 0.35</u>
Weighted average shares						
Basic	90,239		90,239	85,869		85,869
Diluted	93,686		93,686	88,507		88,507

Ariba, Inc. and Subsidiaries
Q2 Fiscal 2011 Supplemental Information
(in millions, except for percentages)

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

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

	Q1 '10 Non-GAAP Reported	Q1 '10 Non-GAAP SMS	Q1 '10 Non-GAAP Continuing Ops	Q2 '10 Non-GAAP Reported	Q2 '10 Non-GAAP SMS	Q2 '10 Non-GAAP Continuing Ops	Q3 '10 Non-GAAP Reported	Q3 '10 Non-GAAP SMS	Q3 '10 Non-GAAP Continuing Ops	Q4 '10 Non-GAAP Reported	Q4 '10 Non-GAAP SMS	Q4 '10 Non-GAAP Continuing Ops	2010 Non-GAAP Reported	2010 Non-GAAP SMS	2010 Non-GAAP Continuing Ops
Revenues:															
Subscription and maintenance	\$ 58,373	\$ -	\$ 58,373	\$ 58,756	\$ -	\$ 58,756	\$ 60,768	\$ -	\$ 60,768	\$ 62,892	\$ -	\$ 62,892	\$ 240,789	\$ -	\$ 240,789
Services and other	27,298	10,479	16,819	28,374	9,822	18,552	32,481	10,243	22,238	32,204	10,203	22,001	120,357	40,747	79,610
Total revenues	85,671	10,479	75,192	87,130	9,822	77,308	93,249	10,243	83,006	95,096	10,203	84,893	361,146	40,747	320,399
Cost of revenues:															
Subscription and maintenance	11,740	-	11,740	11,803	-	11,803	12,270	-	12,270	11,948	-	11,948	47,761	-	47,761
Services and other	18,028	6,766	11,262	18,626	6,498	12,128	20,421	6,792	13,629	20,256	6,884	13,372	77,331	26,940	50,391
Total cost of revenues	29,768	6,766	23,002	30,429	6,498	23,931	32,691	6,792	25,899	32,204	6,884	25,320	125,092	26,940	98,152
Gross profit	55,903	3,713	52,190	56,701	3,324	53,377	60,558	3,451	57,107	62,892	3,319	59,573	236,054	13,807	222,247
Operating expenses:															
Sales and marketing	22,587	1,441	21,146	23,212	1,408	21,804	25,659	1,564	24,095	26,425	1,254	25,171	97,883	5,667	92,216
Research and development	9,769	-	9,769	10,133	-	10,133	10,226	-	10,226	10,348	-	10,348	40,476	-	40,476
General and administrative	6,634	685	5,949	6,420	685	5,735	6,977	684	6,293	6,663	683	5,980	26,694	2,737	23,957
Total operating expenses	38,990	2,126	36,864	39,765	2,093	37,672	42,862	2,248	40,614	43,436	1,937	41,499	165,053	8,404	156,649
Income from operations	16,913	1,587	15,326	16,936	1,231	15,705	17,696	1,203	16,493	19,456	1,382	18,074	71,001	5,403	65,598
Interest and other expense, net	321	44	277	74	(69)	143	(454)	(160)	(294)	(676)	67	(743)	(735)	(118)	(617)
Income before income taxes	17,234	1,631	15,603	17,010	1,162	15,848	17,242	1,043	16,199	18,780	1,449	17,331	70,266	5,285	64,981
Provision for income taxes	55	38	17	515	37	478	423	38	385	425	37	388	1,418	150	1,268
Net income	\$ 17,179	\$ 1,593	\$ 15,586	\$ 16,495	\$ 1,125	\$ 15,370	\$ 16,819	\$ 1,005	\$ 15,814	\$ 18,355	\$ 1,412	\$ 16,943	\$ 68,848	\$ 5,135	\$ 63,713
Net income per share															
Basic	\$ 0.20	\$ 0.02	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.21	\$ 0.02	\$ 0.19	\$ 0.79	\$ 0.06	\$ 0.73
Diluted	\$ 0.19	\$ 0.02	\$ 0.18	\$ 0.19	\$ 0.01	\$ 0.17	\$ 0.19	\$ 0.01	\$ 0.18	\$ 0.20	\$ 0.02	\$ 0.18	\$ 0.77	\$ 0.06	\$ 0.71
Weighted average shares															
Basic	85,161	85,161	85,161	86,578	86,578	86,578	87,163	87,163	87,163	87,565	87,565	87,565	87,565	87,565	87,565
Diluted	88,262	88,262	88,262	88,753	88,753	88,753	89,336	89,336	89,336	91,868	91,868	91,868	89,221	89,221	89,221

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

