SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2009-02-06** | Period of Report: **2008-12-31**
SEC Accession No. 0001193125-09-020779

(HTML Version on secdatabase.com)

FILER

ARIBA INC

CIK:**1084755**| IRS No.: **770439730** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-26299** | Film No.: **09575019**
SIC: **7372** Prepackaged software

Mailing Address
807 11TH AVENUE
SUNNYVALE CA 94089

Business Address
807 11TH AVENUE
SUNNYVALE CA 94089
6509306200

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From to

Commission File Number 000-26299

ARIBA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0439730**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

807 11th Avenue
Sunnyvale, California 94089
(Address of principal executive offices)

(650) 390-1000
(Registrant' s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer. a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant’ s common stock as of December 31, 2008 was 86,905,000.

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ARIBA, INC.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

ARIBA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2008 (unaudited)	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$95,545	$86,804
Accounts receivable, less allowances of $2,052 and $1,938, respectively	26,023	28,968
Prepaid expenses and other current assets	6,852	7,859
Total current assets	128,420	123,631
Property and equipment, net	20,080	19,773
Long-term investments	17,776	20,525
Restricted cash, less current portion	29,641	29,641
Goodwill	406,507	406,507
Other intangible assets, net	22,367	23,965
Other assets	3,160	3,419
Total assets	$627,951	$627,461
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Accounts payable	$9,818	$12,202
Accrued compensation and related liabilities	15,334	21,480
Accrued liabilities	15,477	15,677
Restructuring obligations	18,998	19,925
Deferred revenue	97,898	95,519
Total current liabilities	157,525	164,803
Deferred rent obligations	17,338	18,174
Restructuring obligations, less current portion	38,043	41,121
Deferred revenue, less current portion	6,643	6,396
Other long-term liabilities	6,356	5,949
Total liabilities	225,905	236,443
Stockholders' equity:		
Common stock	174	174
Additional paid-in capital	5,163,030	5,154,137
Accumulated other comprehensive loss	(4,386)	(3,094)
Accumulated deficit	(4,756,772)	(4,760,199)

Total stockholders' equity	402,046	391,018
Total liabilities and stockholders' equity	$627,951	$627,461

See accompanying Notes to Condensed Consolidated Financial Statements.

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ARIBA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except per share data)

	Three Months Ended December 31,	
	2008	2007
Revenues:		
Subscription and maintenance	$54,081	$40,026
Services and other	32,006	36,948
Total revenues	86,087	76,974
Cost of revenues:		
Subscription and maintenance	11,648	8,868
Services and other	19,798	24,606
Amortization of acquired technology and customer intangible assets	1,388	3,509
Total cost of revenues	32,834	36,983
Gross profit	53,253	39,991
Operating expenses:		
Sales and marketing	27,577	25,112
Research and development	10,904	13,317
General and administrative	11,603	13,502

Other income–Softbank	–	(566)
Insurance reimbursement	(7,527)	–
Amortization of other intangible assets	210	109
Restructuring and integration	1,701	3,838
Litigation provision	–	5,900
Total operating expenses	44,468	61,212
Income (loss) from operations	8,785	(21,221)
Interest and other (expense) income, net	(5,016)	3,344
Income (loss) before income taxes	3,769	(17,877)
Provision for income taxes	342	443
Net income (loss)	$3,427	$(18,320)
Net income (loss) per share–basic	$0.04	$(0.25)
Net income (loss) per share–diluted	$0.04	$(0.25)

See accompanying Notes to Condensed Consolidated Financial Statements.

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ARIBA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; in thousands)

	Three Months Ended December 31,	
	2008	**2007**
Operating activities:		
Net income (loss)	$3,427	$(18,320)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for (recovery of) doubtful accounts	131	(72)
Depreciation	1,946	1,913
Amortization of intangible assets	1,598	3,618
Stock-based compensation	9,526	9,829
Restructuring	1,701	3,838
Other-than-temporary impairment of long-term investments	1,414	–
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	2,814	4,386
Prepaid expenses and other assets	1,307	1,368
Accounts payable	(2,483)	(14)
Accrued compensation and related liabilities	(6,711)	(5,297)

Accrued liabilities	(755)	6,374
Deferred revenue	2,626	(1,193)
Deferred income−Softbank	−	(566)
Restructuring obligations	(5,706)	(4,649)
Net cash provided by operating activities	10,835	1,215
Investing activities:		
Cash paid for acquisition, net of cash acquired	−	(54,554)
Purchases of property and equipment	(2,253)	(906)
Sales of long-term investments, net of purchases	726	30,517
Allocation from restricted cash, net	−	692
Net cash used in investing activities	(1,527)	(24,251)
Financing activities:		
Proceeds from issuance of common stock	45	714
Repurchase of common stock	(678)	(1,639)
Net cash used in financing activities	(633)	(925)
Effect of foreign exchange rate changes on cash and cash equivalents	66	(202)
Net change in cash and cash equivalents	8,741	(24,163)

Cash and cash equivalents at beginning of period	86,804	61,311
Cash and cash equivalents at end of period	$95,545	$37,148

See accompanying Notes to Condensed Consolidated Financial Statements.

ARIBA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1−Description of Business and Summary of Significant Accounting Policies

Description of Business

Ariba, Inc., along with its subsidiaries (collectively referred to herein as the “Company”), is the leading provider of on-demand spend management solutions. The Company’ s mission is to transform the way companies of all sizes, industries, and geographies operate by delivering software, service, and network solutions that enable them to holistically source, contract, procure, pay, manage, and analyze their spend and supplier relationships. Delivered on-demand, the Company’ s enterprise-class offerings empower companies to achieve greater control of their spend and drive continuous improvements in financial and supply chain performance. Ariba Spend Management solutions are easy to use, cost effective and quick to deploy and integrate with enterprise resource planning (“ERP”) and other software systems. More than 1,000 companies, including more than half of the companies on the Fortune 500 list published in April 2008, use Ariba solutions to manage their spend from sourcing and orders through invoicing and payment. The Company was incorporated in Delaware in September 1996.

Basis of Presentation

The unaudited condensed consolidated financial statements of the Company reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending September 30, 2009. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted under the Securities and Exchange Commission’ s rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’ s audited consolidated financial statements and notes thereto, together with management’ s discussion and analysis of financial condition and results of operations, presented in the Company’ s Annual Report on Form 10-K for the year ended September 30, 2008 filed on November 19, 2008 with the Securities and Exchange Commission (“SEC”). There have been no significant changes in new accounting pronouncements or in the Company’ s critical accounting policies that were disclosed in the Company’ s Annual Report on Form 10-K for the fiscal year ended September 30, 2008, other than the adoption of Statement of Financial Accounting Standards (“SFAS”) No. 157 (SFAS No. 157), *Fair Value Measurements,* on October 1, 2008 as described in “Fair Value” below.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported results of operations during the reporting period. Actual results could differ from those estimates. The items that are significantly impacted by estimates include revenue recognition, the assessment of recoverability of goodwill and other intangible assets, restructuring obligations related to abandoned operating leases, the fair value of certain marketable securities, pending litigation and accounting for income taxes. In addition, we use assumptions to estimate the fair value of stock-based compensation.

Fair Value

The Company adopted SFAS No. 157 effective October 1, 2008. SFAS No. 157 defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company' s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 − Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Examples of the assets carried at Level 1 fair value generally are equities listed in active markets and investments in publicly traded mutual funds with quoted market prices.

Level 2 − Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset/liability' s anticipated life.

Level 3 − Inputs reflect management' s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of a security, whether the security is new and not yet established in the marketplace, and other characteristics particular to a transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. When observable prices are not available, the Company either uses implied pricing from similar instruments or valuation models based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company' s own assumptions are set to reflect those it believes market participants would use in pricing the asset or liability at the measurement date. See Note 10 for fair value related to the Company' s cash equivalents, long-term investments and restricted cash.

Concentration of credit risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, long-term investments and trade accounts receivable. The Company maintains its cash, cash equivalents, marketable securities and long-term investments with high quality financial institutions and limits its investment in individual securities based on the type and credit quality of each such security. The Company' s customer base consists of both domestic and international businesses, and the Company performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. The Company maintains allowances for potential credit losses.

No customer accounted for more than 10% of total revenues for the three months ended December 31, 2008 and 2007. One customer accounted for more than 10% of net accounts receivable as of December 31, 2008 and no customer accounted for more than 10% of net accounts receivable as of September 30, 2008.

New Accounting Standards

In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. The Company has adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities only.

In October 2008, the FASB issued FSP FAS 157-3, “Determining the Fair Value of a Financial Asset in a Market That Is Not Active” which clarifies the application of Statement 157 when the market for a financial asset is inactive. Specifically, FSP FAS 157-3 clarifies how (1) management’ s internal assumptions should be considered in measuring fair value when observable data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in FSP FAS 157-3 was effective immediately and the Company has adopted its provisions with respect to its financial assets as of December 31, 2008.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115,* which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Subsequent measurements for the financial assets and liabilities an entity elects to record at fair value will be recognized in earnings. Upon initial adoption, this statement provides entities with a one-time chance to elect the fair value option for the eligible items. The effect of the first measurement to fair value should be reported as a cumulative-effect adjustment to the opening balance of retained earnings in the year the statement is adopted. The Company adopted SFAS No. 159 as of October 1, 2008, but has not elected the fair value option for any eligible financial instruments as of December 31, 2008. Therefore, the Company did not record a cumulative-effect adjustment to its opening retained earnings balance.

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations*. The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition-related transaction costs and the recognition of changes in the acquirer’ s income tax valuation allowance. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company will evaluate the impact of the provisions of SFAS No. 141(R) and will adopt this standard on October 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements, including the requirements to classify noncontrolling interests as a component of consolidated stockholders’ equity and the elimination of “minority interest” accounting in results of operations with earnings attributable to noncontrolling interests reported as part of consolidated earnings. Additionally, SFAS No. 160 revises the accounting for both increases and decreases in a parent’ s controlling ownership interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company will evaluate the impact of the provisions of SFAS No. 160 and will adopt this standard on October 1, 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133.* SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity’ s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. The Company will evaluate the impact of the provisions of SFAS No. 161 and will adopt this standard on October 1, 2009.

In April 2008, the FASB issued FASB Staff Position (“FSP”) No. 142-3, *Determination of the Useful Life of Intangible Assets*. FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (Revised 2007), *Business Combinations*. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company will evaluate the impact the provisions of FSP No. 142-3 and will adopt this standard on October 1, 2009

In May 2008, the FASB issued SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles,"* ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 is effective sixty days following the SEC' s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "*The Meaning of 'Present fairly in conformity with generally accepted accounting principles*". The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 162 on its consolidated financial statements

Revenue Recognition

Substantially all of the Company' s revenues are derived from two sources: (i) providing software solutions on either a multi-tenant or single tenant basis and technical support and product updates, otherwise known as subscription and maintenance; and (ii) providing services, including implementation services, consulting services, managed services, training, education, premium support and other miscellaneous services. The significant majority of the Company' s standard end user license agreements provide for use of the Company' s software under a time-based license based on the number of users or other usage criteria. The Company licenses its software in multiple element arrangements in which the customer typically purchases a combination of some or all of the following: (i) software solutions, either on a standalone or on-demand basis; (ii) a maintenance arrangement, which is generally priced as a percentage of the software license fees and provides for technical support and unspecified product updates typically over a period of one year or over the term of the license; and (iii) a services arrangement, on either a fixed fee for access to specific services over time or a time and materials basis.

The Company licenses its products through its direct sales force and indirectly through resellers. Sales made through resellers are recognized at the time that the Company has received persuasive evidence of an end user customer. The license agreements for the Company' s products generally do not provide for a right of return, and historically product returns have not been significant. The Company does not recognize revenue for refundable fees or agreements with cancellation rights until such rights to refund or cancel have expired. Direct sales force commissions are accounted for as sales and marketing expense at the time of sale, when the liability is incurred and is reasonably estimable.

The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") 104, *Revenue Recognition*, Emerging Issues Task Force ("EITF") 00-21, *Revenue Arrangements with Multiple Deliverables,* EITF 00-3, *Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity' s Hardware,* and Statement of Position ("SOP") 97-2, *Software Revenue Recognition*, as amended by SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions*. The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery of the product or service has occurred; the fee is fixed or determinable; and collectibility is probable. If fees are not "fixed or determinable", revenue is recognized when fees are due and payable. If collectibility is not considered probable at the inception of the arrangement, the Company does not recognize revenue until the fee is collected.

The Company allocates revenue to each element in a multiple element arrangement based on its respective fair value. The Company' s determination of the fair value of each element in a multiple element arrangement accounted for under SOP 97-2 is based on vendor-specific objective evidence ("VSOE") of fair value, which is limited to the price when sold separately. VSOE or other methods of determining fair value that are allowable under EITF 00-21 are utilized for multiple element arrangements that are not subject to SOP 97-2.

Revenue from software solutions, hosting and sourcing solutions services is primarily recognized ratably over the term of the arrangement, commencing with the initial customer access date. Revenue allocated to maintenance and support is recognized ratably over the maintenance term (typically one year). Revenue allocated to software solutions implementation, process improvement, training and other services is recognized as the services are performed or as milestones are achieved. If the services are bundled with a subscription or time-based arrangement or in circumstances where fair value cannot be established for undelivered service elements, revenue is recognized ratably over the term of the access agreement.

When revenue associated with multiple element arrangements is recognized and more than one element in that arrangement does not have fair value, the Company first allocates revenue on the statement of operations to those elements for which evidence of fair value is available and the residual is allocated to those elements that do not have fair value.

In circumstances where the Company provides consulting services as part of a multi-element arrangement with software solutions, both the software solution revenue and service revenue are recognized under the lesser of proportional performance method based on hours or ratable over the term of the license. Separate contracts with the same customer that are entered into at or near the same time are assessed in accordance with the applicable accounting literature, to determine if they should be accounted for as a single contractual arrangement.

Certain of the Company’ s contracts include performance incentive payments based on market volume and/or savings generated, as defined in the respective contracts. Revenue from such arrangements is recognized when those thresholds are achieved.

Deferred revenue primarily consists of payments received in advance of revenue recognition and excludes contract amounts for which payment has yet to be collected. Likewise, accounts receivable excludes amounts due from customers for which revenue has been deferred. Deferred revenue generally relates to the Company’ s subscription licenses and service, professional services, maintenance and support, hosting or training and is recognized as the revenue recognition criteria are met. The Company generally invoices its customers in quarterly or annual installments. Accordingly, the deferred revenue balance does not represent the total contract value of annual or multi-year, noncancelable subscription agreements. The Company defers the professional service fees in situations where the professional services and subscription contracts are accounted for as a single unit of accounting. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent.

Software development costs

In accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*, software development costs are expensed as incurred until technological feasibility, defined as a working prototype, has been established, at which time such costs are capitalized until the product is available for general release to customers. To date, the Company’ s software has been available for general release shortly after the establishment of technological feasibility and, accordingly, capitalized development costs have not been material.

The Company follows the guidance set forth in SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, in accounting for the development of its on-demand application service. SOP 98-1 requires companies to capitalize qualifying computer software costs which are incurred during the application development stage and to amortize such costs over the software’ s estimated useful life. At December 31, 2008, the Company had approximately $3.3 million of capitalized software related to its enterprise resource planning system implementation that was not yet in use and, as such, was not yet being amortized. In the three months ended December 31, 2008, due to the current economic downturn, the Company put the enterprise planning system implementation on hold for the remainder of fiscal year 2009. The Company’ s current expectation is to re-initiate the project by the end of 2009. The Company will evaluate the capitalized software costs for impairment throughout fiscal year 2009 in accordance with SFAS No. 144, *Accounting for Impairment Disposal of Long-Lived Assets.*"

Income taxes

Income taxes are computed using an asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company' s consolidated financial statements or tax returns. The measurement of current and deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The Company has recorded a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

On October 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes−an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon effective settlement.

Stock-Based Compensation

The Company maintains stock-based compensation plans which allow for the issuance of stock options and restricted common stock to executives and certain employees. The Company also maintains an employee stock purchase plan ("ESPP") that provides for the issuance of shares to all eligible employees of the Company at a discounted price.

In accordance with the fair value recognition provisions of SFAS No. 123R, *Share-Based Payment,* the Company amortizes the fair value of awards granted on an accelerated basis. SFAS No. 123R requires that forfeitures be estimated over the vesting period of an award, rather than being recognized as a reduction of compensation expense when the forfeiture actually occurs.

During the three months ended December 31, 2008 and 2007, the Company recorded $102,000 and $176,000, respectively, of stock-based compensation expense associated with employee stock purchase plan programs.

During the three months ended December 31, 2008, the Company granted 141,000 shares of restricted common stock to certain employees with a fair value of $1.4 million. This amount is being amortized in accordance with SFAS No. 123R over the vesting period of the individual restricted common stock grants, which is three years.

During the three months ended December 31, 2008, the Company also granted restricted common stock to executive officers and certain key employees, whose vesting and the number of shares are contingent upon meeting a performance milestone related to subscription software revenues for the year ended September 30, 2009, a 2010 performance milestone to be established by the Compensation Committee of the Board of Directors by November 2009 as well as a service requirement. The number of shares that will vest upon meeting the performance milestone for the year ended September 30, 2009 is up to 200%, or 870,000 shares with a fair value of $7.5 million. Current assumptions are that the performance milestone will be met at 200% and compensation expense is recorded based upon the fair value based on the closing price on the date of grant over the vesting period. The Company will evaluate this assumption on a quarterly basis for the year ended September 30, 2009. If the performance milestone is not achieved and the shares fail to vest, any previously recognized compensation cost will be reversed.

During the three months ended December 31, 2007, the Company granted 1.4 million shares of restricted common stock to executive officers and certain employees with a fair value of $16.5 million. This amount is being amortized in accordance with SFAS No. 123R over the vesting period of the individual restricted common stock grants, which is two to three years.

During the three months ended December 31, 2007, the Company also granted 1.0 million shares of restricted common stock to executive officers and certain key employees with a fair value of $12.2 million, whose vesting and the number of shares are contingent upon meeting a performance milestone related to subscription software revenues for the year ended September 30, 2008 and upon subsequent service periods. The number of shares that will vest upon meeting the performance milestones and subsequent service periods is up to 200%, or 2.1 million shares with a fair value of $24.4 million. The shares vest one-third upon the achievement of the performance milestone, one-third upon service on the first anniversary of achievement of the performance milestone and one-third upon service on the second anniversary of achievement of the performance milestone. The performance milestone was achieved at 200% in the year ended September 30, 2008 and compensation expense was recorded based upon the fair value based on the closing price on the date of grant over the vesting period, or three years.

During the three months ended December 31, 2008 and 2007, the Company recorded $8.6 million and $8.9 million, respectively, of stock-based compensation expense associated with restricted stock grants. As of December 31, 2008, there was $30.8 million of unrecognized compensation cost related to non-vested restricted share-based compensation arrangements which is expected to be recognized over a weighted-average period of 0.8 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

The Company also made a contribution to the Ariba, Inc. Employees 401(k) Savings Plan in the form of common stock with a value of $804,000 and $783,000 in the three months ended December 31, 2008 and 2007, respectively.

Total stock-based compensation of $9.5 million and $9.8 million was recorded in the three months ended December 31, 2008 and 2007, respectively, to various operating expense categories as follows (in thousands):

	Three Months Ended December 31,	
	2008	2007
Cost of revenues−subscription and maintenance	$ 625	$ 497
Cost of revenues−services and other	1,030	1,617
Sales and marketing	3,882	3,783
Research and development	1,424	1,241
General and administrative	2,565	2,691
Total	$ 9,526	$ 9,829

Note 2−Business Combination

On December 17, 2007, the Company acquired Procuri, Inc. ("Procuri"), a privately held company headquartered in Atlanta, Georgia, to expand its on-demand supply management solutions. The Company has included the financial results of Procuri in its consolidated financial results effective December 17, 2007. The total purchase price for Procuri was $103.2 million which consisted of $55.6 million in cash paid to acquire the outstanding common stock of Procuri and to settle Procuri' s outstanding debt, $46.1 million of the Company' s common stock (based on the issuance of 4.1 million shares of Ariba common stock) and $1.5 million for transaction costs. For the purposes of the purchase price calculation, the deemed fair value of the Ariba common

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stock issued in the merger was $11.36 per share, which is equal to Ariba' s average closing price per share as reported on the NASDAQ Global Market for each trading day during the period beginning two days before the acquisition date and ending on the acquisition date of December 17, 2007. A total of $9.2 million of cash remains in escrow by a third-party escrow agent for indemnification claims. The escrow shall be released 18 months after the closing of the merger, subject to claims against the escrow. There is an additional indemnification obligation of $7.0 million by the stockholders of Procuri outside the escrow that shall expire 30 months after the closing of the merger with respect to certain intellectual property and tax representations.

The acquisition was accounted for using the purchase method of accounting, and accordingly the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Since December 17, 2007, the results of operations of Procuri have been included in the Company' s consolidated statements of operations. The Company has finalized the valuation of the acquired assets and liabilities. The following is a summary of the final allocation of purchase price (in thousands):

Allocation of total purchase price:	
Cash and cash equivalents	$1,426
Restricted cash	643
Accounts receivable, net	3,953
Prepaid expenses and other current assets	2,607
Property and equipment, net	1,250
Total tangible assets acquired	9,879
Accounts payable	95
Accrued compensation and related liabilities	975
Accrued liabilities	7,023
Deferred revenue	4,630
Restructuring obligations	2,888

Total liabilities assumed	15,611
Net tangible liabilities assumed	(5,732)
Goodwill	80,406
Identified intangible assets	28,500
Total purchase price allocation	$103,174

Restructuring obligations include $2.1 million in employee severance costs, primarily consisting of research and development and corporate infrastructure personnel, and $795,000 in lease abandonment costs arising from the acquisition. See Note 4 for additional information on restructuring accruals.

None of the goodwill resulting from the acquisition of Procuri is expected to be deductible for tax purposes. Identified intangible assets associated with the acquisition of Procuri will be amortized to cost of revenues and operating expense based upon the nature of the asset ratably over the estimated period of benefit of up to six years as detailed in the table below. The estimated period of benefit is determined based upon the estimated period of positive cash flows being generated by the asset. Identifiable intangible assets consist of:

Identified Intangible Assets	**Fair Value (in thousands)**	**Estimated Useful Life (years)**	**Estimated Annual Amortization (in thousands)**	**Statements of Operations Classification**
Existing technology	$ 2,900	2	$ 1,450	Cost of revenue
Customer contracts and related customer relationship	24,600	6	$ 4,100	Cost of revenue
Trade name / trademarks	400	2	$ 200	Operating expense
Non-competition agreements	600	2	$ 300	Operating expense
	$ 28,500			

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The following unaudited pro forma financial information is presented to reflect the results of operations for the three months ended December 31, 2007 as if the acquisition of Procuri had occurred on October 1, 2007. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on October 1, 2007 and may not be indicative of future operating results (in thousands, except per share amounts):

	Three Months Ended December 31, 2007
Revenues	$ 80,996
Net loss	$ (23,043)
Net loss per share−basic and diluted	$ (0.30)
Weighted average shares−basic and diluted	76,604

Note 3−Other Intangible Assets

The table below reflects changes or activity in the balances related to other intangible assets for the three months ended December 31, 2008 (in thousands):

		December 31, 2008			September 30, 2008		
	Useful Life	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other Intangible Assets							
Existing software technology	24 months	$13,300	$ (11,910)	$1,390	$13,300	$ (11,548)	$1,752
Contracts and related customer relationships	48 to 72 months	80,881	(60,553)	20,328	80,881	(59,527)	21,354
Trade names/trademarks	24 to 60 months	2,200	(1,838)	362	2,200	(1,703)	497
Non-competition agreements	24 months	600	(313)	287	600	(238)	362
Total		$96,981	$ (74,614)	$22,367	$96,981	$ (73,016)	$23,965

Amortization of other intangible assets for the three months ended December 31, 2008 totaled $1.6 million. Of the total, amortization of $1.4 million related to contracts and related customer relationships and existing software technology was recorded as cost of revenues in the three months ended December 31, 2008. Amortization of $210,000 primarily related to trade names/trademarks and non-competition agreements was recorded as operating expense in the three months ended December 31, 2008.

Amortization of other intangible assets for the three months ended December 31, 2007 totaled $3.6 million. Of the total, amortization of $3.5 million related to contracts and related customer relationships and existing software technology was recorded as cost of revenues in the three months ended December 31, 2007. Amortization of $109,000 primarily related to trade names/trademarks and non-competition agreements was recorded as operating expense in the three months ended December 31, 2007.

As of December 31, 2008, estimated future amortization expense related to intangible assets is $4.7 million for the remainder of fiscal year 2009, $4.5 million in fiscal year 2010, $4.1 million in fiscal year 2011, $4.1 million in fiscal year 2012, $4.1 million in fiscal year 2013 and $854,000 thereafter.

Note 4−Commitments and Contingencies

Leases

In March 2000, the Company entered into a facility lease agreement for approximately 716,000 square feet in four office buildings and an amenities building in Sunnyvale, California for its headquarters. The operating lease term commenced in January 2001 through April 2001 and ends in January 2013. The Company occupies approximately 150,000 square feet in this facility. The Company currently subleases two buildings, totaling 396,000 square feet, to third parties. These subleases expire in January 2013. The remaining 170,000 square feet is available for sublease. Minimum monthly lease payments are approximately $3.2 million and escalate annually, with the total future minimum lease payments amounting to $175.3 million over the remaining lease term. As part of this lease agreement, the Company is required to issue standby letters of credit backed by cash equivalents, totaling $29.2 million as of December 31, 2008, as a form of security through fiscal year 2013. Also, the Company is required by other lease agreements to hold an additional $445,000 of standby letters of credit, which are cash collateralized. These instruments are issued by its banks in lieu of a cash security deposit required by landlords for domestic and international real estate leases. The total cash collateral of $29.6 million is classified as restricted cash on the Company’ s condensed consolidated balance sheet as of December 31, 2008.

The Company also occupies 91,000 square feet of office space in Pittsburgh, Pennsylvania under a lease that expires in December 2017. This location consists principally of the Company’ s services organization and administrative activities.

The Company leases certain equipment, software and its facilities under various noncancelable operating and immaterial capital leases with various expiration dates through 2017. Rental expense was $5.8 million and $6.0 million for the three months ended December 31, 2008 and 2007, respectively. This expense was reduced by sublease income of $2.5 million and $1.9 million for the three months ended December 31, 2008 and 2007, respectively.

The following table summarizes future minimum lease payments and sublease income under noncancelable operating leases as of December 31, 2008 (in thousands):

Year Ending September 30,	Lease Payments	Contractual Sublease Income
2009	$35,265	$ 8,711
2010	47,437	12,434
2011	48,056	13,129
2012	49,958	13,831
2013	19,584	4,508
Thereafter	10,673	−
Total	$210,973	$ 52,613

Of the total operating lease commitments noted above, $69.9 million is for occupied properties and $141.0 million is for abandoned properties, which are a component of the restructuring obligation.

Restructuring and integration costs

The following table details accrued restructuring and integration obligations and related activity through December 31, 2008 (in thousands):

	Severance and benefits	Lease abandonment costs	Asset impairment	Total restructuring and integration costs
Accrued restructuring obligations as of October 1, 2007	$–	$ 71,171	$ –	$ 71,171
Cash paid	(4,147)	(19,445)	–	(23,592)
Total charge to operating expense	2,714	5,933	1,461	10,108
Asset impairment applied to asset balances	–	–	(1,461)	(1,461)
Purchase accounting adjustment	2,093	794	–	2,887
Restructuring obligation assumed under purchase acquisition	–	1,933	–	1,933
Accrued restructuring obligations as of September 30, 2008	$660	$ 60,386	$ –	61,046
Cash paid	(983)	(4,723)	–	(5,706)
Total charge to operating expense	1,701	–	–	1,701
Accrued restructuring obligations as of December 31, 2008	$1,378	$ 55,663	$ –	57,041
Less: current portion				18,998
Accrued restructuring obligations, less current portion				$ 38,043

Severance and benefits costs

Severance and benefits costs primarily include involuntary termination and health benefits, outplacement costs and payroll taxes for terminated personnel. The Company recorded a charge of $1.7 million in the three months ended December 31, 2008 related to severance benefit costs to better align its expenses with its revenues. The Company recorded a charge of $378,000 related to severance benefit costs in connection with its acquisition of Procuri for the three months ended December 31, 2007. In addition, the Company assumed liabilities related to the severance of former Procuri employees of $2.3 million.

Lease abandonment and leasehold impairment costs

Lease abandonment costs incurred to date relate primarily to the abandonment of leased facilities in Sunnyvale, California and Pittsburgh, Pennsylvania. In the three months ended December 31, 2007, the Company evaluated its office space in Sunnyvale, California, and ceased use of approximately 31,500 square feet of space in its corporate headquarters in the three months ended December 31, 2007. In accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, and SFAS No. 144, the Company recorded lease abandonment costs of $3.1 million and leasehold impairments of $386,000 in the three months ended December 31, 2007. Also during the three months ended December 31, 2007, due to the planned abandonment of an additional facility as a result of the Company' s acquisition of Procuri, the Company recorded an adjustment of $623,000 to the restructuring obligation in accordance with EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination.* This restructuring cost was considered part of the preliminary purchase accounting for Procuri. Total lease abandonment costs include lease liabilities offset by estimated sublease income, and were based on market trend information analyses. As of December 31, 2008, $55.7 million of lease abandonment costs remain accrued and are expected to be paid by fiscal year 2013.

The Company' s lease abandonment accrual is net of $70.7 million of estimated sublease income. Actual sublease payments due under noncancelable subleases of excess facilities totaled $52.6 million as of

December 31, 2008, and the remainder of anticipated sublease income represents management' s best estimates of amounts to be received under future subleases. Actual future cash requirements and lease abandonment costs may differ materially from the accrual at December 31, 2008, particularly if actual sublease income is significantly different from current estimates. These differences could have a material adverse effect on the Company' s operating results and cash position. For example, a reduction in assumed market lease rates of $0.25 per square foot per month for the remaining term of the lease, with all other assumptions remaining the same, would increase the estimated lease abandonment loss on the Company' s Sunnyvale, California headquarters by approximately $1.7 million as of December 31, 2008.

Other arrangements

Other than the obligations identified above, the Company does not have commercial commitments under lines of credit, standby repurchase obligations or other such debt arrangements. The Company has no other off-balance sheet arrangements or transactions with unconsolidated limited purpose entities, nor does it have any undisclosed material transactions or commitments involving related persons or entities. The Company does not have any material noncancelable purchase commitments as of December 31, 2008.

Litigation

IPO Class Action Litigation

In 2001, a number of purported shareholder class action complaints related to the Company' s and FreeMarkets' initial public offerings (the "IPOs") were filed in the United States District Court for the Southern District of New York against the Company and FreeMarkets, Inc. ("FreeMarkets"), certain of the two companies' former officers and directors, and the underwriters who handled the IPOs. These complaints were later consolidated into single class action proceedings related to each IPO. Those consolidated complaints were then further consolidated, along with similar complaints filed against over 300 other issuers in connection with their initial public offerings, before a single judge for case management purposes. In June 2003, a proposed settlement was reached between plaintiffs and the issuer defendants, including the Company and FreeMarkets (the individual defendants having been previously dismissed). The Company merged with FreeMarkets in July 2004. On December 5, 2006, the Court of Appeals granted the underwriter defendants' appeal of the District Court' s order granting class certification in six focus cases. On June 25, 2007, in light of the Court of Appeals' decision, and based on a stipulation among the parties to the settlement, the District Court entered an order terminating the proposed settlement. On August 14, 2007, the plaintiffs filed amended complaints in the focus cases, seeking to address the deficiencies raised in the Court of Appeals' opinion. On September 27, 2007, plaintiffs moved to certify the classes in those focus cases. On December 28, 2007, the underwriters filed a motion to strike the class allegations in the amended complaints, which the issuers in the focus cases later joined. On March 26, 2008, the District Court denied in part the defendants' motions to dismiss the amended complaints in the focus cases, while dismissing those proposed class plaintiffs who sold their securities of the relevant issuers for a price in excess of the initial offering price or purchased their securities outside the certified class period. On October 10, 2008, the Court granted plaintiffs' request to withdraw without prejudice their motion to certify the classes in the focus cases. As of December 31, 2008, no amount is accrued as a loss is not considered probable or estimable.

Patent Litigation with Emptoris, Inc.

On April 19, 2007, the Company sued Emptoris, Inc. ("Emptoris") in the United States District Court for the Eastern District of Texas for patent infringement. On October 29, 2008, after a seven day jury trial, the Company received a verdict that Emptoris willfully infringed one Ariba patent and also infringed a second Ariba patent. The jury awarded Ariba approximately $4.9 million in damages. On January 7, 2009, the court issued its judgment which affirmed the jury' s damage award of $4.9 million and further ordered Emptoris to pay Ariba $207,000 for pre-judgment interest, $1.4 million in enhanced damages due to the willfulness finding, and Ariba' s costs of court which have been calculated to be $164,000. In its judgment, the court also issued an injunction against Emptoris. On January 22, 2009, the court entered an amended judgment which assessed additional damages of $168,000 against Emptoris based on its infringing conduct during the period after trial through December 4, 2008. Emptoris has indicated that it will seek to appeal the court' s judgment. On November 20, 2007, Emptoris sued the Company for infringement of one of its patents in the same Texas court where the Company' s patent claims were tried. In October 2008, Emptoris dismissed its patent case against Ariba with prejudice. As of December 31, 2008, no amount is accrued as a loss is not considered probable or estimable.

General

Defending against these actions and various other claims and legal actions arising in the ordinary course of business may require significant management time and, regardless of the outcome, result in significant legal expenses. If the Company' s defenses are unsuccessful or if it is unable to settle on favorable terms, the Company could be liable for a large damages award and, in the case of patent litigation, be subject to an injunction that could seriously harm its business and results of operations.

During the three months ended December 31, 2008, the Company recorded $7.5 million of income related to an insurance reimbursement for previously unreimbursed litigation costs.

Indemnification

The Company sells software licenses, access to its on-demand offerings and/or services to its customers under contracts that the Company refers to as Terms of Purchase or Software License and Service Agreements (collectively, "SLSA"). Each SLSA contains the relevant terms of the contractual arrangement with the customer, and generally includes certain provisions for indemnifying the customer against losses, expenses and liabilities from damages that may be incurred by or awarded against the customer in the event the Company' s software or services are found to infringe upon a patent, copyright, trade secret, trademark or other proprietary right of a third party. The SLSA generally limits the scope of remedies for such indemnification obligations in a variety of industry-standard respects, including but not limited to certain product usage limitations and geography-based scope limitations, and a right to replace an infringing product or service or modify them to make them non-infringing. If the Company cannot address the infringement by replacing the product or service, or modifying the product or service, the Company is allowed to cancel the license or service and return certain of the fees paid by the customer.

To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions and no material customer claims for such indemnification are outstanding as of December 31, 2008.

Note 5−Income Taxes

The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to the Company' s tax audits. However, there can be no assurances as to the possible outcomes. The unrecognized tax benefits increased by approximately $350,000 in the three months ended December 31, 2008 primarily due to the impact of foreign exchange rates.

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Note 6−Stockholders' Equity

Stock-Based Compensation Plans

A summary of the activity related to the Company's restricted common stock is presented below for the three months ended December 31, 2008:

	Three Months Ended December 31, 2008	
	Number of Shares	Weighted-Average Fair Value
Nonvested at beginning of period	6,634,493	$ 10.47
Granted	141,286	$ 10.08
Vested	(1,415,583)	$ 11.45
Forfeited	(100,251)	$ 10.47
Nonvested at end of period	5,259,945	$ 10.19

The fair value of stock awards vested was $9.3 million and $7.6 million for the three months ended December 31, 2008 and 2007, respectively.

A summary of the activity related to the Company's stock options is presented below:

	Three Months Ended December 31, 2008		
	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Outstanding at beginning of period	814,951	$ 15.00	
Granted	−	$ −	
Exercised	(6,859)	$ 6.72	

Forfeited	(10,225)	$ 14.55	
Outstanding at end of period	797,867	$ 15.08	$1,288,000
Exercisable at end of period	797,867	$ 15.08	$1,288,000

The total intrinsic value of options exercised during the three months ended December 31, 2008 and 2007 was $21,000 and $866,000, respectively. The aggregate intrinsic value represents the total pretax intrinsic value (the difference between the Company' s closing stock price on the last trading day of the first quarter of fiscal 2009 and the exercise price, multiplied by the number of shares subject to in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2008. This amount changes based on the fair market value of the Company' s stock.

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Comprehensive Income (Loss)

SFAS No. 130, *Reporting Comprehensive Income,* establishes standards of reporting and display of comprehensive income and its components of net income and other comprehensive income. Other comprehensive income refers to revenues, expenses, gains and losses that are not included in net income but rather are recorded directly in stockholders' equity. The components of comprehensive income (loss) for the three months ended December 31, 2008 and 2007 are as follows (in thousands):

	Three Months Ended December 31,	
	2008	**2007**
Net income (loss)	$3,427	$(18,320)
Unrealized loss on securities	(609)	(323)
Foreign currency translation adjustments	(683)	(202)
Comprehensive income (loss)	$2,135	$(18,845)

The income tax effects related to unrealized gains and losses on securities and foreign currency translation adjustments are not material.

The components of accumulated other comprehensive loss as of December 31, 2008 and September 30, 2008 are as follows (in thousands):

	December 31, 2008	**September 30, 2008**
Unrealized loss on securities	$ (4,124)	$ (3,515)
Foreign currency translation adjustments	(262)	421
Accumulated other comprehensive loss	$ (4,386)	$ (3,094)

Note 7−Net Income (Loss) Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended December 31,	
	2008	**2007**
Net income (loss)	$3,427	$(18,320)

Weighted-average common shares−basic	80,947	73,204
Add: Effect of dilutive securities	3,097	−
Weighted-average common shares−diluted	84,044	73,204
Net income (loss) per common share−basic	$0.04	$(0.25)
Net income (loss) per common share−diluted	$0.04	$(0.25)

Note 8−Segment Information

The Company follows SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly evaluated by the chief operating decision makers in deciding how to allocate resources and in assessing performance.

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The Company has three geographic operating segments: North America; Europe, Middle-East and Africa (“EMEA”); and Asia-Pacific (“APAC”). The segments are determined in accordance with how management views and evaluates the Company’ s business and based on the aggregation criteria as outlined in SFAS No. 131. Future changes to this organizational structure or the business may result in changes to the reportable segments disclosed. The Company markets its products in the United States and in foreign countries through its direct sales force and indirect sales channels.

The results of the reportable segments are derived directly from the Company’ s management reporting system. The results are based on the Company’ s method of internal reporting and are not necessarily in conformity with accounting principles generally accepted in the United States. Management measures the performance of each segment based on several metrics, including contribution margin. Asset data is not reviewed by management at the segment level.

Segment contribution margin includes all geographic segment revenues less the related cost of sales, direct sales and marketing expenses and regional general and administrative expenses. A significant portion of each segment’ s expenses arise from shared services and infrastructure that the Company has historically allocated to the segments in order to realize economies of scale and to use resources efficiently. These expenses include information technology services, facilities and other infrastructure costs and are generally allocated based upon headcount.

Financial information for each reportable segment was as follows for the three months ended December 31, 2008 and 2007 (in thousands):

	Three Months Ended December 31,	
	2008	2007
Revenue		
−North America	$52,075	$46,080
−EMEA	20,791	18,891
−APAC	4,914	5,953
−Corporate revenue	8,307	6,050
Total revenue	$86,087	$76,974

Revenues are attributed to countries based on the location of the Company’ s customers, with some internal reallocation for multi-national customers. Certain revenue items are not allocated to segments because they are separately managed at the corporate level. These items include Ariba Managed Procurement Services, expense reimbursement and other miscellaneous items.

	Three Months Ended December 31,	
	2008	2007

	(in thousands)	
Contribution margin		
−North America	$24,821	$18,142
−EMEA	8,493	6,491
−APAC	717	548
Total segment contribution margin	$34,031	$25,181

Contribution margin is used, in part, to evaluate the performance of, and allocate resources to, each of the segments. Certain operating expenses are not allocated to segments because they are separately managed at the corporate level. These unallocated costs include marketing costs other than direct sales and marketing, research and development costs, corporate general and administrative costs, such as legal and accounting, amortization of purchased intangibles, other income−Softbank, restructuring and integration costs, litigation provision, interest and other income, net and provision for income taxes.

The reconciliation of segment information to the Company' s net income (loss) before income taxes was as follows for the three months ended December 31, 2008 and 2007 (in thousands):

	Three Months Ended December 31,	
	2008	2007
Segment contribution margin	$34,031	$25,181
Corporate revenue	8,307	6,050
Corporate costs, such as research and development, corporate general and administrative and other	(37,781)	(39,662)
Amortization of acquired technology and customer intangible assets	(1,388)	(3,509)
Other income−Softbank	−	566
Amortization of other intangibles	(210)	(109)
Restructuring and integration	(1,701)	(3,838)
Litigation provision	−	(5,900)
Insurance reimbursement	7,527	−
Interest and other (expense) income, net	(5,016)	3,344
Income (loss) before income taxes	$3,769	$(17,877)

Subscription revenues consist mainly of fees for software access subscription and hosted software services. Maintenance revenues consist primarily of Ariba Buyer and Ariba Sourcing product maintenance fees. Services and other revenues consist of fees for implementation services, consulting services, managed services, training, education, premium support, fees charged for the use of the Company' s software under perpetual agreements and other miscellaneous items. Revenues by similar product and service groups are as follows (in thousands):

	Three Months Ended December 31,	
	2008	2007
Subscription revenues	$35,863	$20,831
Maintenance revenues	18,218	19,195
Services and other revenues	32,006	36,948
Total	$86,087	$76,974

Information regarding long-lived assets in geographic areas are as follows (in thousands):

	December 31, 2008	September 30, 2008
Long-Lived Assets:		
United States	$ 18,326	$ 18,042
International	1,754	1,731
Total	$ 20,080	$ 19,773

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Note 9−Other Income−Softbank

In June 2003, the Company commenced an arbitration proceeding against Softbank for failing to meet its contractual revenue commitments. In October 2004, the Company entered into a definitive agreement with Softbank settling their dispute. A total of $37.0 million was recorded as "Deferred income−Softbank" in connection with the settlement. As the Company was unable to determine the respective fair value of the amounts that related to Softbank' s software license, related maintenance and the Company' s prior agreements with Softbank, the $37.0 million was recognized ratably as "Other income−Softbank" over the three-year software license term ended October 2007. The Company recorded $566,000 in income related to the Softbank agreement in the three months ended December 31, 2007. As of December 31, 2008 and September 30, 2008, there is $0 of deferred income related to the Softbank settlement.

Note 10−Fair Value

As of December 31, 2008, the fair value measurements of the Company' s cash equivalents, long-term investments and restricted cash consisted of the following and which are categorized in the table below based upon the fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	$77,749	$ −	$−	$77,749
Certificates of deposit and other bank deposits	30,395	−	−	30,395
Non-U.S. government securities	6,092	−	−	6,092
Auction rate securities	−	−	17,776	$17,776
Total cash equivalents, long-term investments and restricted cash	$114,236	$ −	$17,776	$132,012

The table below presents reconciliations for market securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended December 31, 2008 (in thousands):

	Three Months Ended December 31, 2008
Beginning balance as of October 1, 2008	$ −
Transfer in	20,525
Realized losses	(1,414)
Unrealized losses	(609)

Redemptions	(726)
Ending fair value as of December 31, 2008	$ 17,776

Long-term investments

The Company holds a variety of interest-bearing auction rate securities (“ARS”) that represent investments in pools of assets, including student loans, commercial paper and credit derivative products. As of December 31, 2008, the Company holds $18.4 million in par value of student loan securities that failed to settle in auctions commencing February 2008 and $4.9 million in par value of commercial paper and credit derivative products that failed to settle in auctions commencing August 2007. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. The recent uncertainties in the credit markets have affected all of the Company’ s holdings in ARS investments and auctions for our investments in these securities have failed to settle on their respective settlement dates. Consequently, the investments are not currently liquid and the Company will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process. Given the failures in the auction markets, as well as the lack of any correlation of these instruments to other observable market data, there are no longer observable inputs available as defined by Levels 1 and 2 of the fair value hierarchy of SFAS No. 157 by which to value these securities. Therefore, these auction rate securities are classified within Level 3 and their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities.

Contractual maturity dates for these ARS investments range from 2016 to 2047. The ARS backed by student loans are guaranteed by the U.S. government and have credit ratings of AAA. The ARS investments were in compliance with the Company' s investment policy at the time of acquisition and are investment grade quality, except for one commercial paper and credit derivative product that maintains a split rating between investment and speculative grade.

The Company currently has the ability and intent to hold these ARS investments until a recovery of the auction process or until maturity. As of December 31, 2008, the Company has classified the entire ARS investment balance as long-term investments on its consolidated balance sheet because of its current inability to predict that these investments will be available for settlement within the next twelve months. The Company has also modified its current investment strategy and increased its investments in more liquid money market instruments.

Historically, the fair value of ARS investments approximates par value due to the frequent resets through the auction process. While the Company continues to earn interest on its ARS investments at the contractual rate, these investments are not currently trading and therefore do not currently have a readily determinable market value. Accordingly, the estimated fair value of ARS no longer approximates par value.

The Company has used a discounted cash flow ("DCF") model to determine the estimated fair value of its investment in ARS as of December 31, 2008. Significant estimates used in the DCF models were the credit quality of the instruments, the types of instruments and an illiquidity discount factor. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows and expected holding periods of the ARS. The discount factor used for the $18.4 million of student loan securities and $4.9 million of commercial paper and credit derivative products was adjusted by 350 basis points ("bps") for the student loan securities and between 450 bps and 850 bps for the commercial paper and credit derivative products, respectively, to reflect the then current market conditions for instruments with similar credit quality at the date of valuation and the risk in the marketplace for these investments that has arisen due to the lack of an active market for these instruments. Based on this assessment of fair value, the Company determined there was a decline in the fair value of its ARS investments of $5.5 million, of which $4.1 million was deemed temporary. As a result of the credit rating reduction to below investment grade related to one of its ARS, the Company recorded an other-than-temporary impairment of $1.4 million in the three months ended December 31, 2008.

The Company reviews its impairments in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and related guidance issued by the FASB and Security and Exchange Commission ("SEC") in order to determine the classification of the impairment as "temporary" or "other-than-temporary". A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income (loss) component of stockholders' equity. Such an unrealized loss does not affect net loss for the applicable accounting period. An other-than-temporary impairment charge is recorded as a realized loss in the consolidated statement of operations. In evaluating the impairment of each ARS, the Company classified such impairment as temporary. The differentiating factors between temporary and other-than-temporary impairment are primarily the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and our intent and ability to retain our investment for a period of time sufficient to allow for the recovery in market value to par. If the issuers of the ARS are unable to successfully close future auctions or refinance their debt in the near term and/or the credit ratings of these instruments deteriorate, the Company may, in the near future, conclude that an other-than-temporary impairment charge is required related to these investments. Such other-than-temporary impairment may be greater than the $4.1 million currently accounted for as a temporary decline or may be greater than the $1.4 million other-than-temporary impairment recorded in the three months ended December 31, 2008.

Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, words such as "may", "will", "should", "estimates", "predicts", "potential", "continue", "strategy", "believes", "anticipates", "plans", "expects", "intends", and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in any forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed under the heading "Risk Factors" in Part II of this Form 10-Q and the risks discussed in our other Securities and Exchange Commission ("SEC") filings.

Overview of Our Business

Ariba is the leading provider of on-demand spend management solutions. Our mission is to transform the way companies of all sizes, industries, and geographies operate by delivering software, service, and network solutions that enable them to holistically source, contract, procure, pay, manage, and analyze their spend and supplier relationships. Delivered on-demand, our enterprise-class offerings empower companies to achieve greater control of their spend and drive continuous improvements in financial and supply chain performance. Ariba® Spend Management™ solutions are easy to use, cost effective and quick to deploy and integrate with enterprise resource planning ("ERP") and other software systems. More than 1,000 companies, including more than half of the companies on the Fortune 500 list published in April 2008, use Ariba solutions to manage their spend from sourcing and orders through invoicing and payment.

Our software is built to leverage the Internet and provide enterprises with real-time access to their business data and their business partners. Our software is designed to integrate with all major platforms and can be accessed via a web browser. Our software can be deployed as an installed application or provided as a service in an on-demand model. In addition to application software, Ariba Spend Management solutions include implementation and strategic consulting services, education and training, commodity expertise and decision support services, benchmarking services, low-cost country sourcing services and procurement outsourcing services. Ariba Spend Management solutions also integrate with and leverage the Ariba Supplier Network. The Ariba Supplier Network is a scalable Internet infrastructure that connects our buying organizations with their suppliers to exchange product and service information as well as a broad range of business documents, such as purchase orders and invoices. Over 180,000 registered suppliers, offering a wide array of goods and services, are connected to the Ariba Supplier Network.

Ariba Spend Management solutions are organized around six key functions: (1) spend visibility; (2) sourcing; (3) contract management; (4) procurement and expense; (5) invoice and payment; and (6) supplier management. Through our solution offerings, we help customers develop a strategy for spend management and enable a step-by-step approach with technology and services that work together.

Business Model

Ariba Spend Management solutions are delivered in a flexible manner, depending upon the needs and preferences of the customer. For customers seeking self sufficiency, we offer flexible, highly configurable and easy-to-use technology and related services that can be deployed behind the firewall or delivered as an on-demand service. For customers seeking expert assistance, we offer sourcing process and commodity expertise in over 400 categories of spend.

We have aligned our business model with the way we believe customers want to purchase and deploy spend management solutions. Customers may generally subscribe to our software products and services for a specified term and/or pay for services on a time-and-materials or milestone basis, depending upon their business requirements. Our revenue is comprised of subscription and maintenance fees, and services and other fees. Subscription and maintenance revenue consists of fees charged for hosted on-demand software solutions and fees for product updates and support, as well as fees paid by suppliers for access to the Ariba Supplier Network. Services and other revenue consists of fees for implementation services, consulting services, managed services, training, education, premium support, license fees charged for the use of our software products under perpetual agreements and other miscellaneous items.

Due to the different treatment of our revenue streams under applicable accounting guidance, each type of revenue has a different impact on our consolidated financial statements. Subscription fees for hosted on-demand software solutions are generally fixed for a specific period of time, and revenue is recognized ratably over the term. Similarly, maintenance fees are generally fixed for a specific period of time, and revenue is recognized ratably over the maintenance term. Most of our customers renew their maintenance contracts annually to continue receiving product updates and product support. Given the ratable revenue recognition and historically high renewal rates of our subscription and maintenance agreements, this revenue stream has generally been stable over time. Services revenues are driven by a contract, project or statement of work, in which the fees may be fixed for specific services to be provided over time or billed on a time and materials basis. Individual subscription software license sales can be significant (greater than $1.0 million) and sales cycles are often lengthy and difficult to predict.

These different revenue streams also carry different gross margins. Revenue from subscription and maintenance fees tends to be higher-margin revenue with gross margins typically around 75% to 80%. Subscription and maintenance fees are generally based on software products developed by us, which carry minimal marginal cost to reproduce and sell. Revenue from labor-intensive services and other fees tends to be lower-margin revenue, with gross margins typically in the 20% to 40% range. Our overall gross margins could fluctuate from period to period depending upon the mix of revenue. For example, a period with a higher mix of license revenue versus services revenue would drive overall gross margin higher and vice versa.

Overview of Quarter Ended December 31, 2008

Our revenues increased to $86.1 million in the three months ended December 31, 2008 compared to $77.0 million in the three months ended December 31, 2007. Subscription and maintenance revenues increased $14.1 million, or 35%, partially offset by a decrease in services and other revenues of $4.9 million, or 13%. Subscription revenues were $35.9 million in the three months ended December 31, 2008, as compared to $20.8 million in the three months ended December 31, 2007. This is primarily due to an increase in the demand for our subscription software products and our acquisition of Procuri in December 2007. Services and other revenues decreased in the three months ended December 31, 2008 primarily due to declines in implementation revenues, managed services revenues and perpetual license revenues.

Operating expenses decreased to $44.5 million in the three months ended December 31, 2008 compared to $61.2 million in the three months ended December 31, 2007. The decrease in operating expenses is primarily attributable to the following: (1) an insurance reimbursement of $7.5 million in the three months ended December 31, 2008; (2) a litigation provision of $5.9 million in connection with a patent infringement matter in the three months ended December 31, 2007; (3) a decrease in restructuring charge of $2.1 million, from $3.8 million in the three months ended December 31, 2007 to $1.7 million in the three months ended December 31, 2008, primarily related to abandonment of leased space in the three months ended December 31, 2007; and (4) a decrease in legal expenses of $1.4 million associated with patent infringement matters. These amounts were partially offset by a decrease in interest and other (expense) income, net of $8.4 million primarily related to an increase in foreign currency transaction losses of $5.2 million related to the strengthening of the U.S. dollar in the three months ended December 31, 2008, a decline in interest income of $1.5 million primarily due to declines in interest rates and an other-than-temporary impairment of $1.4 million of a long-term investment. In sum, our total net expenses, including cost of revenue and other items, decreased to $82.7 million in the three months ended December 31, 2008 compared to $95.3 million in the three months ended December 31, 2007, which resulted in a net income for the three months ended December 31, 2008 of $3.4 million compared to a net loss of $18.3 million in the three months ended December 31, 2007.

Outlook for Fiscal Year 2009

With the increase in our backlog, introduction of new offerings and continued shift in demand toward subscription software sales, we expect continued growth in subscription revenue as well as overall revenue in fiscal year 2009 compared to fiscal year 2008 but at a lower growth rate than in 2008.

We plan to monitor expenses in fiscal year 2009. We expect that total expenses, excluding expenses for amortization of intangibles, stock-based compensation and restructuring and integration, will grow, if at all, at a lower rate than revenues. Accordingly, we anticipate continued improvement in our results from operations, before giving effect to these excluded expenses.

Deteriorating worldwide economic conditions may adversely impact our business beyond our expectations. Although we believe that our spend management solutions may be even more strategic to customers during adverse economic conditions, because they help companies reduce the costs of their goods and services, a weakening global economy, or decline in confidence in the economy, could, among other things, result in reduced revenues, impairment of financial and non-financial assets and reduced cash flows.

We believe that our success for fiscal year 2009 will depend largely on our ability to: (1) renew our subscription or time-based revenues, including on-demand software fees, maintenance fees, and fees for certain services; (2) sell bundled solution offerings that include both technology and expert services; and (3) capitalize on new revenue opportunities, such as fees for the Ariba Supplier Network and selling on-demand spend management solutions to smaller and mid-market customers.

In addition to the impact of global economic conditions, we believe that key risks to our revenues in fiscal year 2009 include: our ability to renew ratable revenue streams without substantial declines from prior arrangements, including subscription software, software maintenance and subscription services; our ability to generate organic growth; our deferral of services revenues as a result of including software implementation and other services as part of a sale with our subscription software solutions; the market acceptance of spend management solutions as a standalone market category; the overall level of information technology spending; potential declines in average selling prices; customer solvency and liquidity; and the potential impact of foreign exchange fluctuations. We believe that key risks to our future operating profitability include: the impact of global economic conditions; our ability to maintain or grow our revenues; our ability to maintain adequate utilization of our services organization; our ability to find new tenants for abandoned space; and the potential impact of foreign exchange fluctuations. We may not be successful in addressing such risks and difficulties. See “Risk Factors” for additional information.

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Results of Operations

The following table sets forth statements of operations data for the periods indicated (in thousands, except per share data). The data has been derived from the unaudited Condensed Consolidated Financial Statements contained in this Form 10-Q which, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the interim periods presented. The operating results for any period should not be considered indicative of results for any future period. This information should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in our Form 10-K for the fiscal year ended September 30, 2008 filed with the SEC on November 19, 2008.

	Three Months Ended December 31,	
	2008	2007
Revenues:		
Subscription and maintenance	$54,081	$40,026
Services and other	32,006	36,948
Total revenues	86,087	76,974
Cost of revenues:		
Subscription and maintenance	11,648	8,868
Services and other	19,798	24,606
Amortization of acquired technology and customer intangible assets	1,388	3,509
Total cost of revenues	32,834	36,983
Gross profit	53,253	39,991
Operating expenses:		
Sales and marketing	27,577	25,112

Research and development	10,904	13,317
General and administrative	11,603	13,502
Other income−Softbank	−	(566)
Insurance reimbursement	(7,527)	−
Amortization of other intangible assets	210	109
Restructuring and integration	1,701	3,838
Litigation provision	−	5,900
Total operating expenses	44,468	61,212
Income (loss) from operations	8,785	(21,221)
Interest and other (expense) income, net	(5,016)	3,344
Income (loss) before income taxes	3,769	(17,877)
Provision for income taxes	342	443
Net income (loss)	$3,427	$(18,320)

Comparison of the Three Months Ended December 31, 2008 and 2007

Revenues

Please refer to Note 1 of Notes to Condensed Consolidated Financial Statements for a description of our accounting policy related to revenue recognition.

Subscription and maintenance

Subscription and maintenance revenues for the three months ended December 31, 2008 were $54.1 million, a 35% increase from the $40.0 million recorded in the three months ended December 31, 2007. Subscription revenues for the three months ended December 31, 2008 were $35.9 million, a 72% increase from the $20.8

million recorded in the three months ended December 31, 2007. The increase of $15.0 million in subscription revenues was primarily due to an increase in the demand for our subscription software products, the continued growth of Ariba Supplier Network revenues and the acquisition of Procuri in December 2007. Maintenance revenues for the three months ended December 31, 2008 were $18.2 million, a slight decrease from the $19.2 million recorded in the three months ended December 31, 2007. We anticipate that subscription revenues will increase in fiscal year 2009 compared to fiscal year 2008, partially offset by modest declines of maintenance revenues in fiscal year 2009.

Services and other

Services and other revenues for the three months ended December 31, 2008 were $32.0 million, a 13% decrease from the $36.9 million recorded in the three months ended December 31, 2007. The decrease is attributed to declines in implementation revenues, perpetual license revenues and managed services revenues in the three months ended December 31, 2008. We anticipate that services and other revenues will decline in fiscal year 2009 compared to fiscal year 2008 primarily due to continuing declines in perpetual license revenues.

Cost of Revenues

Subscription and maintenance

Cost of subscription and maintenance revenues consists of labor costs for hosting services and technical support, including stock compensation costs and facilities and equipment costs. Cost of subscription and maintenance revenues for the three months ended December 31, 2008 was $11.6 million, a 31% increase over the $8.9 million recorded in the three months ended December 31, 2007. This increase is primarily the result of an increase in hosted support costs associated with the overall 72% increase in subscription revenues in the three months ended December 31, 2008. We anticipate that cost of subscription and maintenance expenses will remain relatively consistent as a percentage of revenues in the year ending September 30, 2009 compared to the year ended September 30, 2008.

Services and other

Cost of services and other revenues consists of labor costs for consulting services, including stock compensation costs, training personnel, facilities and equipment costs. Cost of services and other revenues for the three months ended December 31, 2008 was $19.8 million, a 20% decrease from the $24.6 million recorded in the three months ended December 31, 2007. This decrease is primarily the result of the following: (1) decreased compensation and benefits of $2.4 million and overhead of $549,000 associated with a 6% decrease in average consulting headcount; (2) decreased stock-based compensation expense of $587,000; and, (3) decreased travel and entertainment expense of $615,000 due to a cost reduction effort and the 6% decrease in average consulting headcount. We anticipate that cost of services and other revenues will remain relatively consistent as a percentage of services and other revenues in the year ending September 30, 2009 compared to the year ended September 30, 2008.

Amortization of acquired technology and customer intangible assets

Amortization of acquired technology and customer intangible assets primarily represents the amortization of the costs allocated to technology and customer relationships in our fiscal year 2004 business combination with FreeMarkets and our acquisition of Procuri in the three months ended December 31, 2007. This expense amounted to $1.4 million and $3.5 million in the three months ended December 31, 2008 and 2007, respectively. The decrease in the three months ended December 31, 2008 is primarily attributable to assets reaching the end of their estimated useful lives. We anticipate amortization of acquired technology and customer intangible assets will decrease in the year ended September 30, 2009 compared to the year ended September 30, 2008 due to decreases in costs resulting from our merger with FreeMarkets as assets reach the end of their estimated useful lives.

Gross profit

Our gross profit as a percentage of revenues for the three months ended December 31, 2008 was 62% compared to 52% for the three months ended December 31, 2007. The increase in gross profit was primarily due to the shift in our revenue mix (as the gross margin of software subscription and maintenance revenues is typically much higher than the gross margin of services revenues) and a decline in amortization of acquired technology and customer intangible assets. Subscription and maintenance revenues contributed 63% of total revenues in the three months ended December 31, 2008 as compared to 52% in the three months ended December 31, 2007, while services and other revenues contributed 37% of total revenues in the three months ended December 31, 2008 as compared to 48% in the three months ended December 31, 2007.

Operating Expenses

Sales and marketing

Sales and marketing includes costs associated with our sales, marketing and product marketing personnel, and consists primarily of compensation and benefits, commissions and bonuses, stock compensation, promotional and advertising and travel and entertainment expenses related to these personnel, as well as the provision for doubtful accounts. Sales and marketing expenses for the three months ended December 31, 2008 were $27.6 million, a 10% increase from the $25.1 million recorded in the three months ended December 31, 2007. This increase is primarily due to increased compensation and benefits expense of $2.8 million associated with a 18% increase in average sales and marketing headcount in supporting our transition to an on-demand model, partially offset by a decrease in marketing expense of $457,000 associated with cost cutting efforts in the three months ended December 31, 2008. We anticipate that sales and marketing expenses will remain relatively consistent as a percentage of revenues in the year ending September 30, 2009 compared to the year ended September 30, 2008.

Research and development

Research and development includes costs associated with the development of new products, enhancements of existing products for which technological feasibility has not been achieved, and quality assurance activities, and primarily includes employee compensation and benefits, stock compensation, consulting costs and the cost of software development tools and equipment. Research and development expenses for the three months ended December 31, 2008 were $10.9 million, an 18% decrease from the $13.3 million recorded in the three months ended December 31, 2007. This decrease is primarily attributable to a decrease in compensation and benefits of $1.5 million and overhead expense of $445,000 primarily related to restructuring actions taken in the year ended September 30, 2008. We anticipate that research and development expenses will slightly decline as a percentage of revenues in the year ending September 30, 2009 compared to the year ended September 30, 2008.

General and administrative

General and administrative includes costs for executive, finance, human resources, information technology, legal and administrative support functions. General and administrative expenses for the three months ended December 31, 2008 were $11.6 million, a 14% decrease from the $13.5 million recorded in the three months ended December 31, 2007. This decrease is primarily due to a decrease in intellectual property related legal expenses of approximately $1.4 million associated with the patent infringement matters disclosed in Note 4 to Notes to Condensed Consolidated Financial Statements. We anticipate that general and administrative expenses will decline as a percentage of revenues in the year ending September 30, 2009 compared to the year ended September 30, 2008 due to reduced legal expenses.

Other income–Softbank

During the three months ended December 31, 2007, we recorded $566,000 of income from the settlement with Softbank entered into in October 2004. The $37.0 million of deferred income recorded upon the settlement with Softbank was being recognized into income, starting in January 2005, over the remaining term of the three-year license ended October 2007. For further discussion, see Note 9 to the Condensed Consolidated Financial Statements.

Insurance reimbursement

During the three months ended December 31, 2008, we recorded $7.5 million of income related to an insurance reimbursement for previously unreimbursed litigation costs.

Amortization of other intangible assets

Amortization of other intangible assets was $210,000 and $109,000 for each of the three months ended December 31, 2008 and 2007, respectively. These amounts consisted of the amortization of trade name/trademark and non-competition agreement resulting from our merger with FreeMarkets and our acquisition of Procuri. We anticipate amortization of other intangible assets will remain relatively consistent in the year ended September 30, 2009 as compared to the year ended September 30, 2008.

Restructuring and integration

We recorded a restructuring charge of $1.7 million and $3.8 million in the three months ended December 31, 2008 and 2007, respectively. We recorded a charge of $1.7 million in the three months ended December 31, 2008 related to severance benefit costs to better align our expenses with our revenues. In the three months ended December 31, 2007, we evaluated our office space in Sunnyvale, California, and ceased use of approximately 31,500 square feet of space in our corporate headquarters and recorded lease abandonment costs of $3.1 million and leasehold impairments of $386,000 in the three months ended December 31, 2007. In addition, we recorded a charge of $378,000 related to severance benefit costs in connection with our acquisition of Procuri in the three months ended December 31, 2007.

Litigation provision

We recorded a $5.9 million provision related to our patent infringement litigation during the three months ended December 31, 2007.

Interest and other (expense) income, net

Interest and other (expense) income, net for the three months ended December 31, 2008 was $(5.0) million, compared to $3.3 million recorded in the three months ended December 31, 2007. The decrease is primarily attributable to an increase in realized and unrealized foreign currency transaction losses of $5.2 million on accounts receivable billed from Ariba, Inc. in foreign currencies to customers headquartered in foreign countries and realized losses on foreign denominated cash balances maintained in the United States, primarily due to the U.S. dollar strengthening against the Euro, the British Pound, the Australian dollar and the Canadian dollar in the three months ended December 31, 2008. The decrease is also attributable to a decrease in interest income of $1.5 million due to an overall decrease in the rate of return on marketable investments and a decrease in average cash and investment balances in three months ended December 31, 2008 as compared to the three months ended December 31, 2007 and a other-than-temporary impairment of $1.4 million related to a long-term investment in the three months ended December 31, 2008.

Provision for income taxes

Provision for income taxes for the three months ended December 31, 2008 was $342,000, compared to $443,000 in the three months ended December 31, 2007. The decrease is primarily attributable to releases of unrecognized tax benefits due to expiring statutes of limitations in the three months ended December 31, 2008.

Liquidity and Capital Resources

As of December 31, 2008, we had $113.3 million in cash, cash equivalents and long-term investments and $29.6 million in restricted cash, for total cash, cash equivalents, long-term investments and restricted cash of $143.0 million. Our working capital deficit on December 31, 2008 was $29.1 million. All significant cash, cash equivalents and long-term investments are held in accounts in the United States. As of September 30, 2008, we had $107.4 million in cash, cash equivalents and long-term investments and $29.6 million in restricted cash, for total cash, cash equivalents, long-term investments and restricted cash of $137.0 million. Our working capital deficit on September 30, 2008 was $41.2 million.

We hold a variety of interest-bearing auction rate securities (“ARS”) that represent investments in pools of assets, including student loans, commercial paper and credit derivative products. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. The recent uncertainties in the credit markets have affected all of our holdings in ARS investments and auctions for our investments in these securities have failed to settle on their respective settlement dates. Consequently, the investments are not currently liquid and we will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process. Given the failures in the auction markets, as well as the lack of any correlation of these instruments to other observable market data, there are no longer observable inputs available as defined by Levels 1 and 2 of the fair value hierarchy of SFAS No. 157 by which to value these securities. Therefore, these auction rate securities are classified within Level 3 and their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities.

Contractual maturity dates for these ARS investments range from 2016 to 2047. The ARS backed by student loans are guaranteed by the U.S. government and have credit ratings of AAA. All of the ARS investments were in compliance with our investment policy at the time of acquisition and are investment grade quality, except for one commercial paper and credit derivative product that maintains a split rating between investment and speculative grade.

We currently have the ability and intent to hold these ARS investments until a recovery of the auction process or until maturity. As of December 31, 2008 and September 30, 2008, we classified the entire ARS investment balance as long-term investments on our consolidated balance sheet because of our inability to determine when our investments in ARS would settle.

Typically the fair value of ARS investments approximates par value due to the frequent resets through the auction process. While we continue to earn interest on our ARS investments at the contractual rate, these investments are not currently trading and therefore do not currently have a readily determinable market value. Accordingly, the estimated fair value of ARS no longer approximates par value.

We have used a discounted cash flow model (“DCF”) to determine the estimated fair value of our investment in ARS as of December 31, 2008. Significant estimates used in the DCF models were the credit quality of the instruments, the types of instruments and an illiquidity discount factor. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows and expected holding periods of the ARS. The discount factor used for the $18.4 million of student loan securities and $4.9 million of commercial paper and credit derivative products was adjusted by 350 basis points (“bps”) for the student loan securities and between 450 bps and 850 bps for the commercial paper and credit derivative products, respectively, to reflect the then current market conditions for instruments with similar credit quality at the date of valuation and the risk in the marketplace for these investments that has arisen due to the lack of an active market for these instruments. Based on this assessment of fair value, we determined there was a decline in the fair value of its ARS investments of $5.5 million, of which $4.1 million was deemed temporary. As a result of the credit rating reduction to below investment grade related to one of its ARS, we recorded an other-than-temporary impairment of $1.4 million in the three months ended December 31, 2008.

We review our impairments in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and related guidance issued by the Financial Accounting Standards Board ("FASB") and SEC in order to determine the classification of the impairment as "temporary" or "other-than-temporary". A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income (loss) component of stockholders' equity. Such an unrealized loss does not affect net income (loss) for the applicable accounting period. An other-than-temporary impairment charge is recorded as a realized loss in the consolidated statement of operations. In evaluating the impairment of each ARS, we classified such impairment as temporary. The differentiating factors between temporary and other-than-temporary impairment are primarily the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for the recovery in market value. If the issuers of the ARS are unable to successfully close future auctions or refinance their debt in the near term and/or the credit ratings of these instruments deteriorate, we may, in the future, conclude that an additional other-than-temporary impairment charge is required related to these investments. Such other-than-temporary impairment may be greater than the $4.1 million currently accounted for as a temporary decline or may be greater than the $1.4 million other-than-temporary impairment recorded in the three months ended December 31, 2008.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact our valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates and ongoing strength and quality of market credit and liquidity.

If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record additional unrealized losses in other comprehensive income (loss) or to record all current and any future unrealized losses as a charge in our statement of operations in future quarters. We continue to monitor the market for ARS transactions and consider their impact (if any) on the fair value of our investments.

Our investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, avoids inappropriate concentrations and delivers an appropriate yield in relationship to our investment guidelines and market conditions. We have decided to modify our current investment strategy by limiting our investments in ARS to our current holdings and increasing our investments in more liquid investments.

The increase in total cash, cash equivalents, long-term investments and restricted cash of $7.8 million and the decrease in working capital deficit of $11.9 million in the three months ended December 31, 2008 is primarily attributable to a $7.5 million insurance reimbursement.

Our largest source of operating cash flows is cash collections from our customers related to our hosted on-demand software solutions and fees for product updates and support, as well as fees paid by suppliers for the Ariba Supplier Network. We also generate cash inflows from services for implementation services, consulting services and license fees charged for the use of our software products under perpetual agreements. Our primary uses of cash from operating activities are for personnel related expenditures as well as payments related to leased facilities. Net cash provided by operating activities was $10.8 million for the three months ended December 31, 2008, compared to net cash provided by operating activities of $1.2 million for the three months ended December 31, 2007. Cash flows from operating activities increased $9.6 million primarily due to a $7.5 million insurance reimbursement in the three months ended December 31, 2008.

The changes in cash flows from investing activities primarily relate to acquisitions and the timing of purchases, maturities and sales of our investments. Net cash used in investing activities was $1.5 million for the three months ended December 31, 2008, compared to net cash used in investing activities of $24.3 million for the three months ended December 31, 2007. The decrease of $22.7 million is primarily attributable to cash paid of $54.6 million as a result of our acquisition of Procuri in the three months ended December 31, 2007, partially offset by a decrease in sales of investments, net of purchases sales of $29.8 million.

The changes in cash flows from financing activities primarily relate to the repurchase of common stock shares forfeited to Ariba by employees in satisfaction of statutory tax withholding obligations incurred as a result of the vesting of restricted shares of common stock held by those employees and the proceeds from the issuance of common stock is attributed to stock option exercises. Net cash used in financing activities was $633,000 for the three months ended December 31, 2008, compared to net cash used in financing activities of $925,000 for the three months ended December 31, 2007.

Contractual obligations

Our primary contractual obligations are from operating leases for office space and letters of credit related to those leases. See Note 4 to the Condensed Consolidated Financial Statements for a discussion of our lease commitments and letters of credit.

Other than the lease commitments and letters of credit discussed in Note 4 to the Condensed Consolidated Financial Statements, we do not have commercial commitments under lines of credit, standby repurchase obligations or other such debt arrangements. We do not have any material noncancelable purchase commitments as of December 31, 2008. There have been no material changes in our contractual obligations and commercial commitments during the three months ended December 31, 2008 from those presented in our Annual Report on Form 10-K filed with the SEC on November 19, 2008.

Off-balance sheet arrangements

We have no off-balance sheet arrangements or transactions with unconsolidated limited purpose entities, nor do we have any undisclosed material transactions or commitments involving related persons or entities.

Anticipated cash flows

We expect to incur significant operating costs, particularly related to services delivery costs, sales and marketing, research and development and restructuring costs, for the foreseeable future in order to execute our business plan. We anticipate that such operating costs, as well as planned capital expenditures, will constitute a material use of our cash resources. As a result, our net cash flows will depend heavily on the level of future sales, changes in deferred revenues, our ability to manage infrastructure costs, the outcome of our subleasing activities related to abandoned excess leased facilities and ongoing regulatory and legal proceedings.

We believe our existing cash, cash equivalents and investment balances, together with anticipated cash flow from operations, should be sufficient to meet our working capital and operating resource requirements for at least the next twelve months. See “Risk Factors.” After the next twelve months, we may find it necessary to obtain additional funds. In the event additional funds are required, we may not be able to obtain additional financing on favorable terms or at all.

Application of Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accounting policies, methods and estimates are an integral part of the preparation of consolidated financial statements in accordance with GAAP and, in part, are based upon management’ s current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods and estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management’ s current judgments. While there are a number of accounting policies, methods and estimates affecting our consolidated financial statements, areas that are particularly significant include:

- Revenue recognition policies

- Recoverability of goodwill

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Impairment of long-lived assets

Lease abandonment costs

Fair value of marketable securities

Legal contingencies

Accounting for income taxes

These critical accounting policies and estimates, their related disclosures and other accounting policies, methods and estimates have been reviewed by our senior management and audit committee. During the three months ended December 31, 2008 there were no significant changes in our critical accounting policies and estimates. Please refer to Management' s Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended September 30, 2008 for a more complete discussion of our critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

We develop products primarily in the United States of America and India and market our products in the United States of America, Latin America, Europe, Canada, Australia, Middle East and Asia. As a result, our financial results have been and could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Since the majority of our non-U.S. sales are priced in currencies other than the U.S. dollar, a strengthening of the dollar may reduce the level of reported revenues. If such events were to occur, our net revenues could be seriously impacted, since a significant portion of our net revenues are derived from international operations. For the three months ended December 31, 2008 and 2007, 30% and 32%, respectively, of our total net revenues were derived from customers outside of the United States. As a result, our U.S. dollar earnings and net cash flows from international operations may be adversely affected by changes in foreign currency exchange rates.

We use derivative instruments to manage risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to reduce our net exposures, by currency, related to the monetary assets and liabilities of our foreign operations denominated in local currency. In addition, from time to time, we may enter into forward exchange contracts to establish with certainty the U.S. dollar amount of future firm commitments denominated in a foreign currency. The forward contracts do not qualify for hedge accounting and accordingly, all of these instruments are marked to market at each balance sheet date by a charge to earnings. We believe that these forward contracts do not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts are generally offset by losses and gains on the underlying assets and liabilities. We do not use derivatives for trading or speculative purposes. All contracts have a maturity of less than one year.

The following table provides information about our foreign exchange forward contracts outstanding as of December 31, 2008 (in thousands):

		Contract Value		
	Buy/ Sell	**Foreign Currency**	**USD**	**Unrealized Gain/**

				(Loss) in USD
Foreign Currency				
Euro	Sell	6,500	$8,514	$ (286)
Switzerland Franc	Buy	1,200	1,104	19
Czech Koruna	Buy	15,000	833	(19)
Singapore Dollar	Buy	1,200	866	(3)
Total			$11,317	$ (289)

The unrealized gain (loss) represents the difference between the contract value and the market value of the contract based on market rates as of December 31, 2008.

Given our foreign exchange position, a ten percent change in foreign exchange rates upon which these forward exchange contracts are based would result in unrealized exchange gains or losses of approximately $1.1 million. In all material aspects, these exchange gains and losses would be fully offset by exchange losses or gains on the underlying net monetary exposures. We do not expect material exchange rate gains and losses from other foreign currency exposures.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This is accomplished by investing in widely diversified investments, consisting only of investment grade securities. We hold investments in both fixed rate and floating rate interest earning instruments, and both carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which may have declined in market value due to changes in interest rates. Our investments may fall short of expectations due to changes in market conditions and as such we may suffer losses at the time of sale due to the decline in market value. See "Liquidity and Capital Resources." All investments in the table below are carried at market value, which approximates cost.

The table below represents principal (or notional) amounts and related weighted-average interest rates by year of maturity of our investment portfolio (in thousands, except for interest rates).

	Period Ending December 31, 2009	Period Ending December 31, 2010	Period Ending December 31, 2011	Period Ending December 31, 2012	Period Ending December 31, 2013	Thereafter	Total
Cash equivalents	$ 84,595	$ –	$ –	$ –	$ –	$–	$84,595
Average interest rate	1.13 %	–	–	–	–	–	1.13 %
Investments	$ –	$ –	$ –	$ –	$ –	$17,776	$17,776
Average interest rate	–	–	–	–	–	2.30 %	2.30 %
Restricted cash	$ –	$ –	$ 466	$ –	$ 29,175	$–	$29,641
Average interest rate	–	–	0.13 %	–	0.13 %	–	0.13 %
Total investment securities	$ 84,595	$ –	$ 466	$ –	$ 29,175	$17,776	$132,012

The table above does not include uninvested cash of $10.9 million held as of December 31, 2008. Total cash, cash equivalents, marketable securities, long-term investments and restricted cash as of December 31, 2008 was $143.0 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008, the end of the period covered by this report on Form 10-Q. This evaluation (the “controls evaluation”) was done under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Rules adopted by the SEC require that we disclose the conclusions of the CEO and the CFO about the effectiveness of our disclosure controls and internal controls based upon the controls evaluation.

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Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed such that information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, the benefits of controls must be considered relative to their costs and that there are inherent limitations in all control systems. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of December 31, 2008, management evaluated the effectiveness of our disclosure controls and procedures and concluded those disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company' s internal control over financial reporting during the three months ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company' s internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The litigation discussion set forth in Note 4 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

A restated description of the risk factors associated with our business is set forth below. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

We Compete in New and Rapidly Evolving Markets, and Our Spend Management Solutions Are At a Relatively Early Stage of Development. These Factors Make Evaluation of Our Future Prospects Difficult.

Spend management software applications and services are at a relatively early stage of development. For example, in September 2001, we introduced the majority of our initial Ariba Spend Management solutions and after our merger with FreeMarkets in 2004, we introduced several new products and services integrating functionality acquired in the merger. We also introduced on-demand versions of a number of our software products throughout fiscal year 2006, fiscal year 2007 and fiscal year 2008 and we plan to introduce additional on-demand versions of our products in the future. The markets in which we compete are characterized by rapid technological change, evolving customer needs and frequent introductions of new products and services. As we adjust to evolving customer requirements and competitive pressures, we may be required to further reposition our product and service offerings and introduce new products and services. We may not be successful in developing and marketing such product and service offerings, or we may experience difficulties that could delay or prevent the development and marketing of such product and service offerings, which could have a material adverse effect on our business, financial condition or results of operations.

Deteriorating Economic Conditions May Adversely Impact Our Business.

Our business may be adversely affected by the ongoing credit crises and deteriorating worldwide economic conditions. Although our spend management solutions help companies reduce the costs of their goods and services and may therefore be perceived as even more strategic during adverse economic conditions, a weakening global economy, or decline in confidence in the economy, could adversely impact our business in a number of important respects. These include (i) reduced bookings and revenues, as a result of longer sales cycles, reduced, deferred or cancelled customer purchases and lower average selling prices; (ii) increased operating losses and reduced cash flows from operations; (iii) greater than anticipated uncollectible accounts receivables and increased allowances for doubtful accounts receivable; (iv) impairment in the value of our financial and non-financial assets resulting in non-cash impairment charges; and (vi) reduced cash inflows and increased restructuring charges to the extent that actual sublease income from abandoned facilities is lower than currently estimated income.

We May Fail to Achieve Our Financial Forecasts Due to Inaccurate Sales Forecasts and Other Factors.

Our revenues are difficult to predict and, as a result, our quarterly financial results can fluctuate substantially. We estimate quarterly revenues in part based on our sales pipeline, which is an estimate of potential customers, their stage of the sales process, the potential amount of their sales contracts and the likelihood that we will convert them into actual customers during the quarter. To the extent that any of these estimates are inaccurate, our actual revenues may be different than our forecast revenues.

Our Business Is Susceptible to Numerous Risks Associated with International Operations.

International operations have represented a significant portion of our revenues over the past three years. We have committed and expect to continue to commit significant resources to our international sales and marketing activities. We are subject to a number of risks associated with these activities. These risks generally include:

- currency exchange rate fluctuations;
- unexpected changes in regulatory requirements;
- tariffs, export controls and other trade barriers;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations;
- potentially adverse foreign tax consequences, including withholding in connection with the repatriation of earnings;
- the burdens of complying with a wide variety of foreign laws; and
- political instability.

For international sales and expenditures denominated in foreign currencies, we are subject to risks associated with currency fluctuations. Since the majority of our non-U.S. sales are priced in currencies other than the U.S. dollar, a strengthening of the dollar may reduce the level of reported revenues. If such events continue to occur, our net revenues could be seriously impacted, since a significant portion of our net revenues are derived from international operations. We have partially hedged risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to hedge trade and intercompany receivables and payables. There can be no assurance that our hedging strategy will be successful or that currency exchange rate fluctuations will not have a material adverse effect on our operating results. For example, in the three months ended December 31, 2008 as compared to the three months ended December 31, 2007, we had an increase in realized and unrealized foreign currency transaction losses of $5.2 million on accounts receivable billed from Ariba, Inc. in foreign currencies to customers headquartered in foreign countries and realized losses on foreign denominated cash balances maintained in the United States, primarily due to the U.S. dollar strengthening against the Euro, the British Pound, the Australian dollar and the Canadian dollar.

Our Success Depends on Market Acceptance of Standalone Spend Management Solutions.

Our success depends on widespread customer acceptance of standalone spend management solutions from vendors like us, rather than solutions from ERP software vendors and others that are part of a broader enterprise application solution. For example, ERP vendors, such as

Oracle and SAP, could bundle spend management modules with their existing applications and offer these modules at little or no cost. If our products and services do not achieve continued customer acceptance, our business will be seriously harmed.

We Have a History of Losses and May Incur Significant Additional Losses in the Future.

We have a significant accumulated deficit as of December 31, 2008, resulting in large part from cumulative charges for the amortization and impairment of goodwill and other intangible assets. We may incur significant losses in the future for a number of reasons, including those discussed in other risk factors and the following:

- adverse economic conditions;

- the failure of our standalone spend management solutions business to mature as a separate market category;

- declines in average selling prices of our products and services resulting from adverse economic conditions, competition or the introduction of newer products that generally have lower list prices than our more established products and other factors;

- failure to successfully grow our sales channels;
- failure to maintain control over costs;
- increased restructuring charges resulting from the failure to sublease excess facilities at anticipated levels and rates;
- charges incurred in connection with any future restructurings or acquisitions; and
- additional impairment charges as a result of the decline in value and credit quality of our investments in auction rate securities (“ARS”).

Our Quarterly Operating Results Are Volatile, Difficult to Predict and May Be Unreliable as Indicators of Future Performance Trends.

Our quarterly operating results have varied significantly in the past and will likely continue to vary significantly in the future. As a result, period-to-period comparisons of our results may not be meaningful and should not be relied upon as indicators of future performance. In addition, we may fail to achieve forecasts of quarterly and annual revenues and operating results.

Our quarterly operating results have varied or may vary depending on a number of factors, including the following:

Risks Related to Revenues:

- fluctuations in demand, sales cycles and average selling price for our products and services;
- reductions in customers’ budgets for information technology purchases and delays in their purchasing cycles;
- fluctuations in the number of relatively larger orders for our products and services;
- increased dependence on relatively smaller orders from a larger number of customers;
- dependence on generating revenues from new revenue sources;
- delays in recognizing revenue from multiple element arrangements;

- ability to renew ratable revenue streams, including subscription software, software maintenance and subscription services, without substantial declines from prior arrangements; and,
- changes in the mix of types of customer agreements and related timing of revenue recognition.

Risks Related to Expenses:

- our overall ability to control costs, including managing reductions in expense levels through restructuring and severance payments;
- the level of expenditures relating to ongoing legal proceedings;
- costs associated with changes in our pricing policies and business model;
- costs associated with the amortization of stock-based compensation expense; and
- the failure to adjust our workforce to changes in the level of our operations.

Our On-Demand Strategy Carries a Number of Risks Which May Be Harmful to Our Business.

We derive a substantial portion of our revenue from subscriptions to our on-demand applications. We have experienced and may continue to experience a deferral of revenues and cash payments from customers.

Additional risks with the on-demand model include the following:

- as a result of increased demands on our engineering organization to develop multi-tenant versions of our products while supporting and enhancing our existing products, we may not introduce multi-tenant versions of our products or enhancements to our products on a timely and cost-effective basis or at appropriate quality levels;

- we have experienced and expect to continue to experience a decrease in the demand for our implementation services to the extent fewer customers license our software products as installed applications;

- we may not successfully achieve market penetration in our newly targeted markets, including target customers we characterize as middle-market companies; and

- we may incur costs at a higher than forecasted rate as we expand our on-demand operations.

We Plan to Implement a New Enterprise Resource Planning System, and Problems With the Design or Implementation of This System Could Interfere With Our Business and Operations.

In fiscal year 2008, we commenced a project to implement a global enterprise resource planning (ERP) system. We have invested significant capital and human resources in the design and implementation of the ERP system, which may be disruptive to our underlying business. At December 31, 2008, we had approximately $3.3 million of capitalized software related to our enterprise resource planning system implementation that was not yet in use and, as such, was not yet being amortized. In the three months ended December 31, 2008, due to the current economic downturn, we put the enterprise planning system implementation on hold for the remainder of fiscal year 2009. Our current expectation is to re-initiate the project by the end of 2009. We will evaluate the capitalized software costs for impairment throughout fiscal year 2009 in accordance with SFAS No. 144, *Accounting for Impairment Disposal of Long-Lived Assets."* If we are unable to successfully design and implement the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted.

Our Business Could Be Seriously Harmed If We Fail to Retain Our Key Personnel.

Our future performance depends on the continued service of our senior management, product development and sales personnel. The loss of the services of one or more of these personnel could seriously harm our business. Our ability to retain key employees may be harder given that we have substantial operations in several geographic regions, including Sunnyvale, California, Pittsburgh, Pennsylvania, Atlanta, Georgia and Bangalore, India. In addition, uncertainty created by turnover of key employees could result in reduced confidence in our financial performance which could cause fluctuations in our stock price and result in further turnover of our employees.

Our Revenues In Any Quarter May Fluctuate Significantly Because Our Sales Cycles Can Be Long and Unpredictable.

Our sales cycles can be long and unpredictable. The purchase of our products is often discretionary and generally involves a significant commitment of capital and other resources by a customer. It frequently takes several months to finalize a sale and requires approval at a number of management levels within the customer organization. The implementation and deployment of our products requires a significant commitment of resources by our customers and third parties and/or professional services organizations. As a result of the length and unpredictability of our sales cycle, our revenues in any quarter may fluctuate significantly.

Revenues in Any Quarter May Vary to the Extent Recognition of Revenue Is Deferred When Contracts Are Signed. As a Result, Revenues in Any Quarter May Be Difficult to Predict and Are an Unreliable Indicator of Future Performance Trends.

We frequently enter into contracts where we recognize only a portion of the total revenue under the contract in the quarter in which we enter into the contract. For example, we may recognize revenue on a ratable basis over the life of the contract or enter into contracts where the recognition of revenue is conditioned upon delivery of future product or service elements. The portion of revenues recognized on a deferred basis may vary significantly in any given quarter, and revenues in any given quarter are a function both of contracts signed in such quarter and contracts signed in prior quarters.

Revenues From Our Ariba Sourcing Solution Could Be Negatively Affected If Customers Elect Not to Renew Their Contracts in Fiscal Year 2009 and Beyond

We have several large multi-year contracts for our full service sourcing services, some of which will come up for renewal during fiscal year 2009 and beyond. If these customers do not renew their contracts upon expiration, or if they elect to use one of our lower-cost self-service solutions, our future revenues may decrease.

A Decline in Revenues May Have a Disproportionate Impact on Operating Results and Require Further Reductions in Our Operating Expense Levels.

Because our expense levels are relatively fixed in the near term and are based in part on expectations of our future revenues, any decline in our revenues to a level that is below our expectations would have a disproportionately adverse impact on our operating results for that quarter.

We Are Subject to Evolving and Expensive Corporate Governance Regulations and Requirements. Our Failure to Adequately Adhere to These Requirements or the Failure or Circumvention of Our Controls and Procedures Could Seriously Harm Our Business and Results of Operations.

Because we are a publicly-traded company, we are subject to certain federal, state and other rules and regulations, including those required by the Sarbanes-Oxley Act of 2002. Compliance with these evolving regulations is costly and requires a significant diversion of management time and attention, particularly with regard to our disclosure controls and procedures and our internal control over financial reporting. Although we have reviewed our disclosure and internal controls and procedures in order to determine whether they are effective, our controls and procedures may not be able to prevent fraud or other errors in the future. Faulty judgments, simple errors or mistakes, or the failure of our personnel to adhere to established controls and procedures may make it impossible for us to ensure that the objectives of the control system are met. A failure of our controls and procedures to detect fraud or other errors could seriously harm our business and results of operations.

We Sometimes Experience Long Implementation Cycles, Which May Increase Our Operating Costs and Delay Recognition of Revenues.

Many of our products are complex applications that are generally deployed with many users. Implementation of these applications by enterprises is complex, time consuming and expensive. Long implementation cycles may delay the recognition of revenue as some of our customers engage us to perform system implementation services, which can defer revenue recognition for the related software license revenue. In addition, when we experience long implementation cycles, we may incur costs at a higher level than anticipated, which may reduce the anticipated profitability of a given implementation.

If a Sufficient Number of Suppliers Do Not Join and Maintain Their Participation In the Ariba Supplier Network, It May Not Attract a Sufficient Number of Buyers and Other Sellers Required to Make the Network Successful.

In order to provide buyers on the Ariba Supplier Network an organized method for accessing goods and services, we rely on suppliers to maintain web-based product catalogs, indexing services and other content aggregation tools. Any failure of suppliers to join the Ariba Supplier Network in sufficient numbers, or of existing suppliers to maintain their participation in the Ariba Supplier Network as a result of increase access charges or otherwise, would make the network less attractive to buyers and consequently other suppliers. Our inability to access and index these catalogs and services provided by suppliers would result in our customers having fewer products and services available to them through our solutions, which would adversely affect the perceived usefulness of the Ariba Supplier Network.

We Could Be Subject to Potential Claims Related to Our On-Demand Solutions, As Well As the Ariba Supplier Network.

We warrant to our customers that our on-demand solutions and the Ariba Supplier Network will achieve specified performance levels to allow our customers to conduct their transactions. To the extent we fail to meet warranted performance levels, we could be obligated to provide refunds or credits for future use or maintenance. Further, to the extent that a customer incurs significant financial hardship due to the failure of our on-demand solutions or the Ariba Supplier Network to perform as specified, we could be exposed to additional liability claims.

Failure to Establish and Maintain Strategic Relationships with Third Parties Could Seriously Harm Our Business, Results of Operations and Financial Condition.

We have established strategic relationships with a number of other companies. These companies are entitled to resell our products, to host our products for their customers, and/or to implement our products within their customers' organizations. We cannot be assured that any existing or future resellers or hosting or implementation partners will perform to our expectations. For example, in the past we have not realized the anticipated benefits from strategic relationships with a number of resellers. If our current or future strategic partners do not perform to expectations, or if they experience financial difficulties that impair their operating capabilities, our business, operating results and financial condition could be seriously harmed.

We Face Intense Competition. If We Are Unable to Compete Successfully, Our Business Will Be Seriously Harmed.

The market for our solutions is intensely competitive, evolving and subject to rapid technological change. This competition could result in further price pressure, reduced profit margins and loss of market share, any one of which could seriously harm our business. Competitors vary in size and in the scope and breadth of the products and services they offer. We compete with several major enterprise software companies, including SAP and Oracle. We also compete with several service providers, including McKinsey & Company and A.T. Kearney. In addition, we compete with smaller specialty vendors or smaller niche providers of sourcing or procurement products and services, including Emptoris, BravoSolution, Zycus, American Express S2S, Perfect Commerce, cc-Hubwoo, Ketera Technologies and Iasta. Because spend management is a relatively new software category, we expect additional competition from other established and emerging companies if this market continues to develop and expand. For example, third parties that currently help implement Ariba Buyer and our other products could begin to market products and services that compete with our products and services. These third parties, which include IBM, Accenture, Capgemini, Deloitte Consulting, BearingPoint and Unisys, are generally not subject to confidentiality or non-compete agreements that restrict such competitive behavior.

Many of our current and potential competitors, such as ERP software vendors including Oracle and SAP, have longer operating histories, significantly greater financial, technical, marketing and other resources, significantly greater name recognition and a larger installed base of customers than us. These vendors could also introduce spend management solutions that are included as part of broader enterprise application solutions at little or no cost to their customers. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of our industry. In the past, we have lost potential customers to competitors for various reasons, including lower prices and incentives not matched by us. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly increase their market share. We also expect that competition will increase as a result of industry consolidations. The industry has experienced consolidation with both larger and smaller competitors acquiring companies to broaden their offerings or increase scale. As a result, we may not be able to successfully compete against our current and future competitors.

Any Future Acquisitions Will Be Subject to a Number of Risks.

Any future acquisitions will be subject to a number of risks, including:

- the diversion of management time and resources;
- the difficulty of assimilating the operations and personnel of the acquired companies;
- the potential disruption of our ongoing business;
- the difficulty of incorporating acquired technology and rights into our products and services;
- unanticipated expenses related to integration of the acquired companies;
- difficulties in implementing and maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of any integration of new management personnel;
- potential unknown liabilities associated with acquired businesses; and
- impairment of goodwill and other assets acquired.

If We Fail to Develop Products and Services on a Timely and Cost-Effective Basis, or If Our Products or Services Contain Defects, Our Business Could Be Seriously Harmed.

In developing new products and services, we may:

- fail to develop, introduce and market products in a timely or cost-effective manner;
- find that our products and services are obsolete, noncompetitive or have shorter life cycles than expected;

- fail to develop new products and services that adequately meet customer requirements or achieve market acceptance; or

- develop products that contain undetected errors or failures when first introduced or as new versions are released.

If new releases of our products or potential new products are delayed, we could experience a delay or loss of revenues and customer dissatisfaction.

Pending Litigation Could Seriously Harm Our Business.

There can be no assurance that existing or future litigation will not have a material adverse effect on our business, financial position, results of operations or cash flows, or that the amount of any accrued losses is sufficient for any actual losses that may be incurred. See Note 4 of Notes to Condensed Consolidated Financial Statements.

We May Incur Additional Restructuring Charges that Adversely Affect Our Operating Results.

We have recorded significant restructuring charges relating to the abandonment of numerous leased facilities, including most notably portions of our Sunnyvale, California headquarters. For example, in the year ended September 30, 2008, we evaluated our office space in Sunnyvale, California, and ceased use of approximately 54,000 square feet of space in our corporate headquarters and recorded lease abandonment costs of $5.9 million and leasehold impairments of $1.5 million. Moreover, we have from time to time revised our assumptions and expectations regarding lease abandonment costs, resulting in additional charges.

We review these estimates each reporting period, and to the extent that our assumptions change, the ultimate restructuring expenses for these abandoned facilities could vary significantly from current estimates. For example, a reduction in assumed market lease rates of $0.25 per square foot per month for the remaining term of the leases, with all other assumptions remaining the same, would increase the estimated lease abandonment loss on the vacated portions of our Sunnyvale, California headquarters by $1.7 million as of December 31, 2008. Additional lease abandonment costs, resulting from the abandonment of additional facilities or changes in estimates and expectations about facilities already abandoned, could adversely affect our operating results.

We May Be Required to Record Additional Impairment Charges in Future Quarters as a Result of the Decline in Value of Our Investments in Auction Rate Securities.

We hold a variety of interest bearing auction rate securities ("ARS") that represent investments in pools of assets, including student loans, commercial paper and credit derivative products. These ARS investments are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests at par. The recent uncertainties in the credit markets have affected all of our holdings in ARS investments and auctions for our investments in these securities have failed to settle on their respective settlement dates. Consequently, the investments are not currently liquid and we will not be able to access these funds until a future auction of these investments is successful or a buyer is found outside of the auction process. Contractual maturity dates for these ARS investments range from 2016 to 2047 with principal distributions occurring on certain securities prior to maturity.

The valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates and ongoing strength and quality of market credit and liquidity.

Although we currently have the ability and intent to hold these ARS investments until a recovery of the auction process or until maturity, if the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, we may be required to record additional unrealized losses in other comprehensive income (loss) or to record all current and any future unrealized losses as a charge in our statement of operations in future quarters.

We May Incur Goodwill Impairment Charges that Adversely Affect Our Operating Results.

We review goodwill for impairment annually and more frequently if events and circumstances indicate that the asset may be impaired and that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, a significant decline in our stock price for a sustained period, and decreases in our market capitalization below the recorded amount of our net assets for a sustained period. Our stock price is highly volatile and has experienced significant declines recently. The balance of goodwill is $406.5 million as of December 31, 2008 and, there can be no assurance that future goodwill impairments will not occur.

Our Stock Price Is Highly Volatile and the Market Price of Our Common Stock May Decrease in the Future.

Our stock price has fluctuated dramatically. There is a significant risk that the market price of our common stock will decrease in the future in response to any of the following factors, some of which are beyond our control:

- variations in our quarterly operating results;

- announcements that our revenues or income are below analysts' expectations;

- changes in analysts' estimates of our performance or industry performance;
- general economic slowdowns;
- changes in market valuations of similar companies;
- sales of large blocks of our common stock;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- the loss of a major customer or our failure to complete significant license transactions; and
- additions or departures of key personnel.

We Are at Risk of Further Securities Class Action Litigation Due to Our Stock Price Volatility.

In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. We have experienced significant volatility in the price of our stock over the past years. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources, which could seriously harm our business.

If the Protection of Our Intellectual Property Is Inadequate, Our Competitors May Gain Access to Our Technology, and We May Lose Customers.

We depend on our ability to develop and maintain the proprietary rights of our technology. To protect our proprietary technology, we rely primarily on a combination of contractual provisions, including customer licenses that restrict use of our products, confidentiality agreements and procedures, and patent, copyright, trademark and trade secret laws. We have 34 patents issued in the United States, but may not develop other proprietary products that are patentable. Despite our efforts, we may not be able to adequately protect our proprietary rights, and our competitors may independently develop similar technology, duplicate our products or design around any patents issued to us. This is particularly true because some foreign laws do not protect proprietary rights to the same extent as those of the United States and, in the case of our solutions, because the validity, enforceability and type of protection of proprietary rights in these technologies are uncertain and evolving. If we fail to adequately protect our proprietary rights, we may lose customers.

There has been a substantial amount of litigation in the software industry and the Internet industry regarding intellectual property rights. For example, in the year ended September 30, 2008, we agreed to settle with Sky for $7.9 million related to two lawsuits alleging that certain products of Ariba and Procuri, Inc. ("Procuri") infringed patents held by Sky. It is possible that in the future, other third parties may claim that we or our current or potential future products infringe their intellectual property rights. We expect that software product developers and providers of electronic commerce solutions will increasingly be subject to infringement claims, and third parties may claim that we or our current or potential future products infringe their intellectual property. Any claims, with or without merit, could be time-consuming, result in costly litigation, divert management' s time from developing our business, cause product shipment delays, require us to enter into royalty or licensing agreements or require us to satisfy indemnification obligations to our customers. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all, which could seriously harm our business.

We must now, and may in the future have to, license or otherwise obtain access to intellectual property of third parties. For example, we are currently dependent on developers' licenses from ERP, database, human resource and other systems software vendors in order to ensure compliance of our products with their management systems. In addition, we rely on technology that we license from third parties, including software that is integrated with internally developed software and used in our software products to perform key functions. For example, we license integration software from TIBCO for Ariba Buyer. If we are unable to continue to license any of this software on commercially reasonable terms, or at all, we will face delays in releases of our software until equivalent technology can be identified, licensed or developed, and integrated into our current products or require us to satisfy indemnification obligations to our customers. These delays, if they occur, could materially adversely affect our business.

In addition, we may need to commence litigation or take other actions to protect our intellectual property rights. For example, in April 2007, we filed a lawsuit against Emptoris, Inc. (“Emptoris”) for patent infringement in the United States District Court for the Eastern District of Texas. See “Litigation-Patent Litigation with Emptoris, Inc.” in Note 4 of Notes to Condensed Consolidated Financial Statements. These lawsuits and other potential litigation and actions brought by us could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights.

If Our Security Measures Fail or Unauthorized Access to Customer Data Is Otherwise Obtained, Our Solutions May Be Perceived As Not Being Secure, Customers May Curtail or Stop Using Our Solutions, And We May Incur Significant Liabilities.

Our operations involve the storage and transmission of our customers’ confidential information, and security breaches could expose us to a risk of loss of this information, litigation, indemnity obligations and other liability. If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to our customers’ data, our reputation will be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose potential revenues and existing customers.

Further, because our products transmit data and information belonging to our customers, many customers and prospects require us to meet specific security standards or to maintain security certifications with respect to our products and operations. Given the complexity of our business and the costs and efforts required to meet the high standards to maintain these security certifications, there is no guarantee that we can achieve or maintain any such certifications or standards. If we fail to meet the standards for these security certifications, it could negatively impact our ability to attract new or keep existing customers and it could seriously harm our business.

Anti-takeover Provisions in Our Charter Documents and Delaware Law Could Discourage, Delay or Prevent a Change in Control of Our Company and May Affect the Trading Price of Our Common Stock.

Certain anti-takeover provisions in our certificate of incorporation and bylaws and certain provisions of Delaware law may have the effect of delaying, deferring or preventing a change in control of the Company without further action by our stockholders, may discourage bids for our common stock at a premium over the market price of our common stock and may adversely affect the market price of our common stock and other rights of our stockholders.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We have granted shares of restricted common stock that allow statutory tax withholding obligations incurred upon vesting of those shares to be satisfied by forfeiting a portion of those shares to us. The following table shows the shares acquired by us upon forfeiture of restricted shares during the quarter ended December 31, 2008.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Program
October 1, 2008–October 31, 2008	–	$ –	–	–
November 1, 2008–November 30, 2008	110,467	6.14	–	–
December 1, 2008–December 31, 2008	–	–	–	–
Total	110,467	$ 6.14	–	–

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Exhibit Title

10.42‡	Ariba Bonus Plan−Executive Officers, adopted on December 22, 2008.
10.43‡†	Ariba, Inc. 1999 Equity Incentive Plan: Notice of Stock Unit Award and Agreement (FY 2009 Performance Stock Units), by and between Ariba, Inc. and Ahmed Rubaie.
10.44‡†	Ariba, Inc.: 1999 Equity Incentive Plan: Notice of Stock Unit Award and Agreement (FY 2009 Performance Stock Units), by and between Ariba, Inc. and Kent Parker.
10.45‡†	Ariba, Inc. 1999 Equity Incentive Plan: Notice of Stock Unit Award and Agreement (FY 2009 Performance Stock Units), by and between Ariba, Inc. and Kevin Costello.
10.46‡†	Ariba, Inc. 1999 Equity Incentive Plan: Notice of Stock Unit Award and Agreement (FY 2009 Performance Stock Units), by and between Ariba, Inc. and Robert Calderoni.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

‡ Management contract or compensatory plan or arrangement.

† A request for confidential treatment has been filed with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARIBA, INC.

By: /s/ AHMED RUBAIE

Ahmed Rubaie

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: February 6, 2009

Exhibit 10.42

ARIBA BONUS PLAN
EXECUTIVE OFFICERS

1. **Effective Date and Term**. This Plan was adopted by the Compensation Committee (the "Committee") of the Board of Directors of Ariba, Inc. (the "Company") on December 22, 2008. The Plan is effective for fiscal year 2009 and thereafter will continue to apply until it is amended or terminated by the Committee. It supersedes all prior bonus plans applicable to individuals who are deemed to be "officers" of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (the "Executive Officers"). Any other bonus plan applicable to Executive Officers previously approved by the Committee is hereby terminated.

2. **Administration**. The Committee administers the Plan and adopts rules and regulations to implement the Plan. The decisions of the Committee are final and binding on all parties who have an interest in the Plan.

3. **Eligibility**. Participation in the Plan is limited to Executive Officers. Participation in the Plan is effective on the day the participant starts in a bonus-eligible job. Participants must be employed in a bonus-eligible position before the first day of the last month of the fiscal year to be eligible to participate in the Plan for that fiscal year. Bonus payments will be prorated for participants who become eligible after the start of a fiscal year or for participants who are on a leave of absence or sabbatical for all or part of a fiscal year. A participant may be removed from the Plan at any time and for any reason, at the Company' s discretion, regardless of whether he or she remains an officer or employee of the Company.

4. **Determination of Amounts**. The Plan may provide an annual cash bonus that is paid based on the achievement of pre-determined Company performance objectives and individual performance factors. The amount of each participant' s annual bonus is determined as follows:

(a) An annual target bonus amount is assigned to the participant by the Committee as soon as reasonably practicable after the beginning of a fiscal year or, if later, at the time of his or her hiring. The annual target bonus amount may be modified from time to time thereafter by the Committee.

(b) One-half of the annual bonus is determined on the basis of the Company' s annual non-GAAP net income score and one-half is determined on the basis of the Company' s annual non-GAAP revenue score. "Non-GAAP net income" means after-tax income excluding (i) restructuring-related expense, (ii) amortization of acquired core technology and in-process R&D, (iii) amortization of goodwill and intangibles, (iv) amortization of stock-based compensation; and (v) purchase accounting adjustment-deferred revenue. "Non-

GAAP revenue” means revenue excluding the impact of purchase accounting adjustment-deferred revenue.

(c) As soon as reasonably practicable after the beginning of a fiscal year, the Committee determines for that year the levels of non-GAAP net income and non-GAAP revenue that will be required for non-GAAP net income and non-GAAP revenue scores of 0.50, 0.75, 1.00 and 2.00. If the level of non-GAAP net income or non-GAAP revenue is less than the level required for a 0.50 score, the score will be zero. If the level of non-GAAP net income or non-GAAP revenue is greater than the amount required for a 2.00 score, the score will be 2.00. If the amount of non-GAAP net income or non-GAAP revenue falls between the amounts required for a 0.50 score and a 0.75 score, between the amounts required for a 0.75 score and a 1.00 score or between the amounts required for a 1.00 score and a 2.00 score, then straight-line interpolation will be used.

(d) When the amount of non-GAAP net income for a fiscal year has been determined, the non-GAAP net income score is calculated. Likewise, when the amount of non-GAAP revenue for a fiscal year has been determined, the non-GAAP revenue score is calculated. The weighted-average score for the fiscal year equals one-half of the non-GAAP net income score plus one-half of the non-GAAP revenue score. This weighted-average score is multiplied by each participant’ s annual target bonus amount.

(e) After the close of the fiscal year, the Committee at its discretion may increase or reduce any annual bonus based on criteria other than non-GAAP net income and non-GAAP revenue (including individual performance).

(f) The Committee may adjust the amount of the Company’ s annual non-GAAP net income or annual non-GAAP revenue, or both, to exclude extraordinary expenses or benefits.

5. **Payment of Bonuses**. Payment of the annual cash bonus (if any) is targeted for November 30. Adjustments to this payment schedule may be made as business conditions require.

6. **Employment Requirement**. Unless a Severance Agreement between a participant and the Company provides otherwise, the participant must be employed by the Company at the time of the bonus payment to receive the annual cash bonus.

7. **Modification or Termination of the Plan**. The Committee reserves the right to modify, suspend or terminate this Plan at any time. Should an acquisition or significant business initiative change the operating plan, this Plan may be modified or a new plan may go into effect following this event.

8. **Benefits Unfunded**. No amounts awarded or accrued under this Plan will be funded, set aside or otherwise segregated prior to payment. The obligation to pay the bonuses

awarded hereunder will at all times be an unfunded and unsecured obligation of the Company. Plan participants will have the status of general creditors and must look solely to the general assets of the Company for the payment of their bonus awards.

9. **Benefits Nontransferable**. No Plan participant will have the right to alienate, pledge or encumber his or her interest in this Plan, and such interest will not (to the extent permitted by law) be subject in any way to the claims of the participant's creditors or to attachment, execution or other process of law.

10. **No Employment Rights**. No action of the Company in establishing the Plan, no action taken under the Plan by the Committee and no provision of the Plan itself will be construed to grant any person the right to remain in the employ of the Company or its subsidiaries for any period of specific duration. Rather, each employee is employed "at will," which means that either the employee or the Company may terminate the employment relationship at any time and for any reason, with or without cause.

Exhibit 10.43

CONFIDENTIAL TREATMENT. THE PORTION OF THIS EXHIBIT THAT HAS BEEN REPLACED WITH "[*****]" HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS THE SUBJECT OF AN APPLICATION FOR CONFIDENTIAL TREATMENT.

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:
NOTICE OF STOCK UNIT AWARD
(FY 2009 PERFORMANCE STOCK UNITS)

You have been granted units representing shares of Common Stock of Ariba, Inc. (the "Company") on the following terms:

Name of Recipient:	Ahmed Rubaie
Number of Units Granted:	75,000
Date of Grant:	October 27, 2008

By accepting this grant, you agree as follows:

1. This grant is made under and governed by the Ariba, Inc. 1999 Equity Incentive Plan (the "**Plan**") and the Stock Unit Agreement. Both of these documents are available on the Company' s internal web site at http://stock.ariba.com.

2. The Company may deliver by email all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Company may also deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. The "Ariba, Inc. 1999 Equity Incentive Plan−Summary and Prospectus" is available on the Company' s internal web site at http://stock.ariba.com. If, in the future, the Company posts documents required by law on a web site, it will notify you by email.

3. You have read the Company' s Securities Trading Policy, and you agree to comply with that policy whenever you acquire or dispose of the Company' s securities. The Company' s Securities Trading Policy is available on the Company' s internal web site at http://stock.ariba.com.

RECIPIENT:

____

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:

STOCK UNIT AGREEMENT

Payment for Units

No payment is required for the units that you are receiving.

Vesting–General Rules

33% of your units will vest after the 2009 performance-based vesting condition is satisfied, as described below. 67% of your units will vest after the 2009 and 2010 performance-based vesting conditions are both satisfied, as described below.

No additional units will vest after your Service (as defined below) has terminated for any reason, except as set forth in a Severance Agreement between you and the Company.

2009 Performance-Based Vesting Condition

The number of your units that vest will be determined on the basis of Subscription Software Revenue (as defined below) for fiscal year 2009, as calculated pursuant to the following table:

2009 Subscription Software Revenue:	Percentage of Total Number of Units Awarded That Vests:
Less than $[****] M	0%
$[****] M	50%
$[****] M	100%
$[****] M or more	200%

Straight-line interpolation will be used for Subscription Software Revenue amounts between the increments set forth above.

Vesting Dates and 2010 Performance-Based Vesting Condition

33% of the units calculated pursuant to the table above will vest on November 15, 2009, provided that your Service is continuous until that date. The remaining 67% of the units calculated pursuant to the table above will vest on November 10, 2010, provided that both:

(a) Your Service is continuous until November 10, 2010, and

(b) The 2010 performance-based vesting condition is met. The 2010 performance-based vesting condition will be determined by the Committee and communicated to you on or before November 30, 2009.

Adjustment of Performance-Based Vesting Conditions	The Committee, at its sole discretion, may make appropriate adjustments in the performance-based vesting conditions described above in order to account for extraordinary events, including (without limitation) acquisitions and other corporate or financial events.
Forfeiture	If your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date, except as set forth in a Severance Agreement between you and the Company. This means that any units that have not vested under this Agreement or a Severance Agreement will immediately be cancelled. You receive no payment for units that are forfeited. The Company determines when your Service terminates for this purpose.
Leaves of Absence and Part-Time Work	For purposes of this grant, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work. If you go on a leave of absence, then the vesting dates specified above may be adjusted in accordance with the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. If you commence working on a part-time basis, then the vesting dates specified above may be adjusted in accordance with the Company' s written part-time work policy (as in effect for similarly situated employees) or the terms of an agreement between you and the Company pertaining to your part-time schedule.
Settlement of Units	Each unit will be settled on the first Permissible Trading Day (as defined below) that occurs on or after the day when the unit vests. However, each unit must be settled not later than the later of (a) December 15 of the Company' s fiscal year after the fiscal year in which the unit vests or (b) March 15 of the calendar year after the calendar year in which the unit vests.

At the time of settlement, you will receive one share of the Company' s Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash if the distribution of stock is not reasonably practicable due to the requirements of applicable law. The amount of cash will be determined on the basis of the market value of the Company' s Common Stock at the time of settlement.

Section 409A

This paragraph applies only if the Company determines that you are a "specified employee," as defined in the regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), at the time of your "separation from service," as defined in those regulations. If this paragraph applies, then any units that otherwise would have been settled during the first six months following your separation from service will instead be settled during the seventh month following your separation from service, unless the settlement of those units is exempt from Section 409A of the Code.

Nature of Units

Your units are mere bookkeeping entries. They represent only the Company' s unfunded and unsecured promise to issue shares of Common Stock (or distribute cash) on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.

No Voting Rights or Dividends

Your units carry neither voting rights nor rights to cash dividends. You have no rights as a stockholder of the Company unless and until your units are settled by issuing shares of the Company' s Common Stock.

Units Nontransferable

You may not sell, transfer, assign, pledge or otherwise dispose of any units. For instance, you may not use your units as security for a loan.

Withholding Taxes

No stock certificates or cash will be distributed to you unless you have made arrangements, as directed by the Company, for the payment of any withholding taxes that are due as a result of the settlement of this award. At the discretion of the Company, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be issued to you when the units are settled. The fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale	You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.
Employment at Will	Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.
Adjustments	In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, as the Company may determine pursuant to the Plan.
Effect of Merger	If the Company is a party to a merger, consolidation or reorganization, then your units will be subject to Section 10.3 of the Plan, provided that any action taken must either (a) preserve the exemption of your units from Section 409A of the Code or (b) comply with Section 409A of the Code.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Prior Agreements	The text of the Plan is incorporated in this Agreement by reference. The Plan, this Agreement and the Notice of Stock Unit Award constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this grant are superseded. However, if you and the Company entered into a Severance Agreement, then that Severance Agreement is not superseded and will continue to apply as described below.
Amendments	This Agreement may be amended only by another written agreement between the parties.
Interpretation of Severance Agreement	If you and the Company entered into a Severance Agreement, then the vesting acceleration provisions or vesting continuation provisions (as applicable) of that Severance Agreement will be applied to this award as follows:

If a Change in Control (as defined in the Severance Agreement) occurs and you become entitled to accelerated vesting under the Severance Agreement after the Change in Control but before October 1, 2009, then 200% of the total number of your units will vest immediately. The 2009 and 2010 performance-based vesting conditions will be disregarded.

If no Change in Control occurs but you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) under the Severance Agreement before October 1, 2009, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the 2009 performance-based vesting condition will be deemed to have been met at the 100% award vesting level defined in the table above. The 2010 performance-based vesting conditions will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2009, but before October 1, 2010, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used. The 2010 performance-based vesting condition will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2010, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used and the 2010 performance-based vesting condition must also be satisfied.

Definitions:

Committee "Committee" means the Compensation Committee of the Company' s Board of Directors.

Permissible Trading Day "Permissible Trading Day" means a day that satisfies each of the following requirements:

The Nasdaq Global Market is open for trading on that day,

You are permitted to sell shares of the Company' s Common Stock on that day without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, as amended,

Either (a) you are not in possession of material non-public information that would make it illegal for you to sell shares of the Company' s Common Stock on that day under Rule 10b-5 of the Securities and Exchange Commission or (b) you have implemented a trading plan under Rule 10b5-1 of the Securities and Exchange Commission covering the shares of the Company' s Common Stock to be issued under this Agreement and your trading plan has been approved by the Company' s Compliance Officer,

Under the Company' s written Securities Trading Policy, you are permitted to sell shares of the Company' s Common Stock on that day, and

You are not prohibited from selling shares of the Company' s Common Stock on that day by a written agreement between you and the Company or a third party.

Service	"Service" means service as an employee, consultant or director of the Company or a subsidiary of the Company.
Subscription Software Revenue	"Subscription Software Revenue" means subscription software revenue as determined under U.S. GAAP and published in the Company' s periodic financial reports.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE, IN THE PLAN AND IN THE NOTICE OF STOCK UNIT AWARD.

CONFIDENTIAL TREATMENT. THE PORTION OF THIS EXHIBIT THAT HAS BEEN REPLACED WITH "[*****]" HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS THE SUBJECT OF AN APPLICATION FOR CONFIDENTIAL TREATMENT.

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:
NOTICE OF STOCK UNIT AWARD
(FY 2009 PERFORMANCE STOCK UNITS)

You have been granted units representing shares of Common Stock of Ariba, Inc. (the "Company") on the following terms:

Name of Recipient:	Kent Parker
Number of Units Granted:	110,000
Date of Grant:	October 27, 2008

By accepting this grant, you agree as follows:

1. This grant is made under and governed by the Ariba, Inc. 1999 Equity Incentive Plan (the "**Plan**") and the Stock Unit Agreement. Both of these documents are available on the Company' s internal web site at http://stock.ariba.com.

2. The Company may deliver by email all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Company may also deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. The "Ariba, Inc. 1999 Equity Incentive Plan−Summary and Prospectus" is available on the Company' s internal web site at http://stock.ariba.com. If, in the future, the Company posts documents required by law on a web site, it will notify you by email.

3. You have read the Company' s Securities Trading Policy, and you agree to comply with that policy whenever you acquire or dispose of the Company' s securities. The Company' s Securities Trading Policy is available on the Company' s internal web site at http://stock.ariba.com.

RECIPIENT:

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ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:

STOCK UNIT AGREEMENT

Payment for Units No payment is required for the units that you are receiving.

Vesting–General Rules 33% of your units will vest after the 2009 performance-based vesting condition is satisfied, as described below. 67% of your units will vest after the 2009 and 2010 performance-based vesting conditions are both satisfied, as described below.

No additional units will vest after your Service (as defined below) has terminated for any reason, except as set forth in a Severance Agreement between you and the Company.

2009 Performance-Based Vesting Condition The number of your units that vest will be determined on the basis of Subscription Software Revenue (as defined below) for fiscal year 2009, as calculated pursuant to the following table:

2009 Subscription Software Revenue:	Percentage of Total Number of Units Awarded That Vests:
Less than $[****] M	0%
$[****] M	50%
$[****] M	100%
$[****] M or more	200%

Straight-line interpolation will be used for Subscription Software Revenue amounts between the increments set forth above.

Vesting Dates and 2010 Performance-Based Vesting Condition 33% of the units calculated pursuant to the table above will vest on November 15, 2009, provided that your Service is continuous until that date. The remaining 67% of the units calculated pursuant to the table above will vest on November 10, 2010, provided that both:

(a) Your Service is continuous until November 10, 2010, and

(b) The 2010 performance-based vesting condition is met. The 2010 performance-based vesting condition will be determined by the Committee and communicated to you on or before November 30, 2009.

Adjustment of Performance-Based Vesting Conditions	The Committee, at its sole discretion, may make appropriate adjustments in the performance-based vesting conditions described above in order to account for extraordinary events, including (without limitation) acquisitions and other corporate or financial events.
Forfeiture	If your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date, except as set forth in a Severance Agreement between you and the Company. This means that any units that have not vested under this Agreement or a Severance Agreement will immediately be cancelled. You receive no payment for units that are forfeited. The Company determines when your Service terminates for this purpose.
Leaves of Absence and Part-Time Work	For purposes of this grant, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work. If you go on a leave of absence, then the vesting dates specified above may be adjusted in accordance with the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. If you commence working on a part-time basis, then the vesting dates specified above may be adjusted in accordance with the Company' s written part-time work policy (as in effect for similarly situated employees) or the terms of an agreement between you and the Company pertaining to your part-time schedule.
Settlement of Units	Each unit will be settled on the first Permissible Trading Day (as defined below) that occurs on or after the day when the unit vests. However, each unit must be settled not later than the later of (a) December 15 of the Company' s fiscal year after the fiscal year in which the unit vests or (b) March 15 of the calendar year after the calendar year in which the unit vests.

	At the time of settlement, you will receive one share of the Company' s Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash if the distribution of stock is not reasonably practicable due to the requirements of applicable law. The amount of cash will be determined on the basis of the market value of the Company' s Common Stock at the time of settlement.
Section 409A	This paragraph applies only if the Company determines that you are a "specified employee," as defined in the regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), at the time of your "separation from service," as defined in those regulations. If this paragraph applies, then any units that otherwise would have been settled during the first six months following your separation from service will instead be settled during the seventh month following your separation from service, unless the settlement of those units is exempt from Section 409A of the Code.
Nature of Units	Your units are mere bookkeeping entries. They represent only the Company' s unfunded and unsecured promise to issue shares of Common Stock (or distribute cash) on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.
No Voting Rights or Dividends	Your units carry neither voting rights nor rights to cash dividends. You have no rights as a stockholder of the Company unless and until your units are settled by issuing shares of the Company' s Common Stock.
Units Nontransferable	You may not sell, transfer, assign, pledge or otherwise dispose of any units. For instance, you may not use your units as security for a loan.
Withholding Taxes	No stock certificates or cash will be distributed to you unless you have made arrangements, as directed by the Company, for the payment of any withholding taxes that are due as a result of the settlement of this award. At the discretion of the Company, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be issued to you when the units are settled. The fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale	You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.
Employment at Will	Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.
Adjustments	In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, as the Company may determine pursuant to the Plan.
Effect of Merger	If the Company is a party to a merger, consolidation or reorganization, then your units will be subject to Section 10.3 of the Plan, provided that any action taken must either (a) preserve the exemption of your units from Section 409A of the Code or (b) comply with Section 409A of the Code.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Prior Agreements	The text of the Plan is incorporated in this Agreement by reference. The Plan, this Agreement and the Notice of Stock Unit Award constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this grant are superseded. However, if you and the Company entered into a Severance Agreement, then that Severance Agreement is not superseded and will continue to apply as described below.
Amendments	This Agreement may be amended only by another written agreement between the parties.
Interpretation of Severance Agreement	If you and the Company entered into a Severance Agreement, then the vesting acceleration provisions or vesting continuation provisions (as applicable) of that Severance Agreement will be applied to this award as follows:

If a Change in Control (as defined in the Severance Agreement) occurs and you become entitled to accelerated vesting under the Severance Agreement after the Change in Control but before October 1, 2009, then 200% of the total number of your units will vest immediately. The 2009 and 2010 performance-based vesting conditions will be disregarded.

If no Change in Control occurs but you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) under the Severance Agreement before October 1, 2009, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the 2009 performance-based vesting condition will be deemed to have been met at the 100% award vesting level defined in the table above. The 2010 performance-based vesting conditions will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2009, but before October 1, 2010, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used. The 2010 performance-based vesting condition will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2010, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used and the 2010 performance-based vesting condition must also be satisfied.

Definitions:

Committee “Committee” means the Compensation Committee of the Company’ s Board of Directors.

Permissible Trading Day “Permissible Trading Day” means a day that satisfies each of the following requirements:

The Nasdaq Global Market is open for trading on that day,

You are permitted to sell shares of the Company' s Common Stock on that day without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, as amended,

Either (a) you are not in possession of material non-public information that would make it illegal for you to sell shares of the Company' s Common Stock on that day under Rule 10b-5 of the Securities and Exchange Commission or (b) you have implemented a trading plan under Rule 10b5-1 of the Securities and Exchange Commission covering the shares of the Company' s Common Stock to be issued under this Agreement and your trading plan has been approved by the Company' s Compliance Officer,

Under the Company' s written Securities Trading Policy, you are permitted to sell shares of the Company' s Common Stock on that day, and

You are not prohibited from selling shares of the Company' s Common Stock on that day by a written agreement between you and the Company or a third party.

Service	"Service" means service as an employee, consultant or director of the Company or a subsidiary of the Company.
Subscription Software Revenue	"Subscription Software Revenue" means subscription software revenue as determined under U.S. GAAP and published in the Company' s periodic financial reports.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE, IN THE PLAN AND IN THE NOTICE OF STOCK UNIT AWARD.

Exhibit 10.45

CONFIDENTIAL TREATMENT. THE PORTION OF THIS EXHIBIT THAT HAS BEEN REPLACED WITH "[*****]" HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS THE SUBJECT OF AN APPLICATION FOR CONFIDENTIAL TREATMENT.

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:
NOTICE OF STOCK UNIT AWARD
(FY 2009 PERFORMANCE STOCK UNITS)

You have been granted units representing shares of Common Stock of Ariba, Inc. (the "Company") on the following terms:

Name of Recipient:	Kevin Costello
Number of Units Granted:	150,000
Date of Grant:	October 27, 2008

By accepting this grant, you agree as follows:

1. This grant is made under and governed by the Ariba, Inc. 1999 Equity Incentive Plan (the "**Plan**") and the Stock Unit Agreement. Both of these documents are available on the Company' s internal web site at http://stock.ariba.com.

2. The Company may deliver by email all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Company may also deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. The "Ariba, Inc. 1999 Equity Incentive Plan−Summary and Prospectus" is available on the Company' s internal web site at http://stock.ariba.com. If, in the future, the Company posts documents required by law on a web site, it will notify you by email.

3. You have read the Company' s Securities Trading Policy, and you agree to comply with that policy whenever you acquire or dispose of the Company' s securities. The Company' s Securities Trading Policy is available on the Company' s internal web site at http://stock.ariba.com.

RECIPIENT:

____

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:

STOCK UNIT AGREEMENT

Payment for Units	No payment is required for the units that you are receiving.
Vesting–General Rules	33% of your units will vest after the 2009 performance-based vesting condition is satisfied, as described below. 67% of your units will vest after the 2009 and 2010 performance-based vesting conditions are both satisfied, as described below. No additional units will vest after your Service (as defined below) has terminated for any reason, except as set forth in a Severance Agreement between you and the Company.
2009 Performance-Based Vesting Condition	The number of your units that vest will be determined on the basis of Subscription Software Revenue (as defined below) for fiscal year 2009, as calculated pursuant to the following table:

2009 Subscription Software Revenue:	Percentage of Total Number of Units Awarded That Vests:
Less than $[****] M	0%
$[****] M	50%
$[****] M	100%
$[****] M or more	200%

Straight-line interpolation will be used for Subscription Software Revenue amounts between the increments set forth above.

Vesting Dates and 2010 Performance-Based Vesting Condition

33% of the units calculated pursuant to the table above will vest on November 15, 2009, provided that your Service is continuous until that date. The remaining 67% of the units calculated pursuant to the table above will vest on November 10, 2010, provided that both:

(a) Your Service is continuous until November 10, 2010, and

(b) The 2010 performance-based vesting condition is met. The 2010 performance-based vesting condition will be determined by the Committee and communicated to you on or before November 30, 2009.

Adjustment of Performance-Based Vesting Conditions	The Committee, at its sole discretion, may make appropriate adjustments in the performance-based vesting conditions described above in order to account for extraordinary events, including (without limitation) acquisitions and other corporate or financial events.
Forfeiture	If your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date, except as set forth in a Severance Agreement between you and the Company. This means that any units that have not vested under this Agreement or a Severance Agreement will immediately be cancelled. You receive no payment for units that are forfeited. The Company determines when your Service terminates for this purpose.
Leaves of Absence and Part-Time Work	For purposes of this grant, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work. If you go on a leave of absence, then the vesting dates specified above may be adjusted in accordance with the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. If you commence working on a part-time basis, then the vesting dates specified above may be adjusted in accordance with the Company' s written part-time work policy (as in effect for similarly situated employees) or the terms of an agreement between you and the Company pertaining to your part-time schedule.
Settlement of Units	Each unit will be settled on the first Permissible Trading Day (as defined below) that occurs on or after the day when the unit vests. However, each unit must be settled not later than the later of (a) December 15 of the Company' s fiscal year after the fiscal year in which the unit vests or (b) March 15 of the calendar year after the calendar year in which the unit vests.

At the time of settlement, you will receive one share of the Company' s Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash if the distribution of stock is not reasonably practicable due to the requirements of applicable law. The amount of cash will be determined on the basis of the market value of the Company' s Common Stock at the time of settlement.

Section 409A

This paragraph applies only if the Company determines that you are a "specified employee," as defined in the regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), at the time of your "separation from service," as defined in those regulations. If this paragraph applies, then any units that otherwise would have been settled during the first six months following your separation from service will instead be settled during the seventh month following your separation from service, unless the settlement of those units is exempt from Section 409A of the Code.

Nature of Units

Your units are mere bookkeeping entries. They represent only the Company' s unfunded and unsecured promise to issue shares of Common Stock (or distribute cash) on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.

No Voting Rights or Dividends

Your units carry neither voting rights nor rights to cash dividends. You have no rights as a stockholder of the Company unless and until your units are settled by issuing shares of the Company' s Common Stock.

Units Nontransferable

You may not sell, transfer, assign, pledge or otherwise dispose of any units. For instance, you may not use your units as security for a loan.

Withholding Taxes

No stock certificates or cash will be distributed to you unless you have made arrangements, as directed by the Company, for the payment of any withholding taxes that are due as a result of the settlement of this award. At the discretion of the Company, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be issued to you when the units are settled. The fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale	You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.
Employment at Will	Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.
Adjustments	In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, as the Company may determine pursuant to the Plan.
Effect of Merger	If the Company is a party to a merger, consolidation or reorganization, then your units will be subject to Section 10.3 of the Plan, provided that any action taken must either (a) preserve the exemption of your units from Section 409A of the Code or (b) comply with Section 409A of the Code.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Prior Agreements	The text of the Plan is incorporated in this Agreement by reference. The Plan, this Agreement and the Notice of Stock Unit Award constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this grant are superseded. However, if you and the Company entered into a Severance Agreement, then that Severance Agreement is not superseded and will continue to apply as described below.
Amendments	This Agreement may be amended only by another written agreement between the parties.
Interpretation of Severance Agreement	If you and the Company entered into a Severance Agreement, then the vesting acceleration provisions or vesting continuation provisions (as applicable) of that Severance Agreement will be applied to this award as follows:

If a Change in Control (as defined in the Severance Agreement) occurs and you become entitled to accelerated vesting under the Severance Agreement after the Change in Control but before October 1, 2009, then 200% of the total number of your units will vest immediately. The 2009 and 2010 performance-based vesting conditions will be disregarded.

If no Change in Control occurs but you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) under the Severance Agreement before October 1, 2009, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the 2009 performance-based vesting condition will be deemed to have been met at the 100% award vesting level defined in the table above. The 2010 performance-based vesting conditions will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2009, but before October 1, 2010, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used. The 2010 performance-based vesting condition will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2010, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used and the 2010 performance-based vesting condition must also be satisfied.

Definitions:

Committee “Committee” means the Compensation Committee of the Company’ s Board of Directors.

Permissible Trading Day “Permissible Trading Day” means a day that satisfies each of the following requirements:

The Nasdaq Global Market is open for trading on that day,

You are permitted to sell shares of the Company' s Common Stock on that day without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, as amended,

Either (a) you are not in possession of material non-public information that would make it illegal for you to sell shares of the Company' s Common Stock on that day under Rule 10b-5 of the Securities and Exchange Commission or (b) you have implemented a trading plan under Rule 10b5-1 of the Securities and Exchange Commission covering the shares of the Company' s Common Stock to be issued under this Agreement and your trading plan has been approved by the Company' s Compliance Officer,

Under the Company' s written Securities Trading Policy, you are permitted to sell shares of the Company' s Common Stock on that day, and

You are not prohibited from selling shares of the Company' s Common Stock on that day by a written agreement between you and the Company or a third party.

Service

"Service" means service as an employee, consultant or director of the Company or a subsidiary of the Company.

Subscription Software Revenue

"Subscription Software Revenue" means subscription software revenue as determined under U.S. GAAP and published in the Company' s periodic financial reports.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE, IN THE PLAN AND IN THE NOTICE OF STOCK UNIT AWARD.

Exhibit 10.46

CONFIDENTIAL TREATMENT. THE PORTION OF THIS EXHIBIT THAT HAS BEEN REPLACED WITH "[*****]" HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS THE SUBJECT OF AN APPLICATION FOR CONFIDENTIAL TREATMENT.

ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:
NOTICE OF STOCK UNIT AWARD
(FY 2009 PERFORMANCE STOCK UNITS)

You have been granted units representing shares of Common Stock of Ariba, Inc. (the "Company") on the following terms:

Name of Recipient:	Robert Calderoni
Number of Units Granted:	325,000
Date of Grant:	October 27, 2008

By accepting this grant, you agree as follows:

1. This grant is made under and governed by the Ariba, Inc. 1999 Equity Incentive Plan (the "**Plan**") and the Stock Unit Agreement. Both of these documents are available on the Company' s internal web site at http://stock.ariba.com.

2. The Company may deliver by email all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Company may also deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. The "Ariba, Inc. 1999 Equity Incentive Plan−Summary and Prospectus" is available on the Company' s internal web site at http://stock.ariba.com. If, in the future, the Company posts documents required by law on a web site, it will notify you by email.

3. You have read the Company' s Securities Trading Policy, and you agree to comply with that policy whenever you acquire or dispose of the Company' s securities. The Company' s Securities Trading Policy is available on the Company' s internal web site at http://stock.ariba.com.

RECIPIENT:

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ARIBA, INC. 1999 EQUITY INCENTIVE PLAN:

STOCK UNIT AGREEMENT

Payment for Units No payment is required for the units that you are receiving.

Vesting–General Rules 33% of your units will vest after the 2009 performance-based vesting condition is satisfied, as described below. 67% of your units will vest after the 2009 and 2010 performance-based vesting conditions are both satisfied, as described below.

No additional units will vest after your Service (as defined below) has terminated for any reason, except as set forth in a Severance Agreement between you and the Company.

2009 Performance-Based Vesting Condition The number of your units that vest will be determined on the basis of Subscription Software Revenue (as defined below) for fiscal year 2009, as calculated pursuant to the following table:

2009 Subscription Software Revenue:	Percentage of Total Number of Units Awarded That Vests:
Less than $[****] M	0%
$[****] M	50%
$[****] M	100%
$[****] M or more	200%

Straight-line interpolation will be used for Subscription Software Revenue amounts between the increments set forth above.

Vesting Dates and 2010 Performance-Based Vesting Condition 33% of the units calculated pursuant to the table above will vest on November 15, 2009, provided that your Service is continuous until that date. The remaining 67% of the units calculated pursuant to the table above will vest on November 10, 2010, provided that both:

(a) Your Service is continuous until November 10, 2010, and

(b) The 2010 performance-based vesting condition is met. The 2010 performance-based vesting condition will be determined by the Committee and communicated to you on or before November 30, 2009.

Adjustment of Performance-Based Vesting Conditions

The Committee, at its sole discretion, may make appropriate adjustments in the performance-based vesting conditions described above in order to account for extraordinary events, including (without limitation) acquisitions and other corporate or financial events.

Forfeiture

If your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date, except as set forth in a Severance Agreement between you and the Company. This means that any units that have not vested under this Agreement or a Severance Agreement will immediately be cancelled. You receive no payment for units that are forfeited.

The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this grant, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence, then the vesting dates specified above may be adjusted in accordance with the Company' s written leave of absence policy (as in effect for similarly situated employees) or the terms of your leave. If you commence working on a part-time basis, then the vesting dates specified above may be adjusted in accordance with the Company' s written part-time work policy (as in effect for similarly situated employees) or the terms of an agreement between you and the Company pertaining to your part-time schedule.

Settlement of Units

Each unit will be settled on the first Permissible Trading Day (as defined below) that occurs on or after the day when the unit vests. However, each unit must be settled not later than the later of (a) December 15 of the Company' s fiscal year after the fiscal year in which the unit vests or (b) March 15 of the calendar year after the calendar year in which the unit vests.

	At the time of settlement, you will receive one share of the Company' s Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash if the distribution of stock is not reasonably practicable due to the requirements of applicable law. The amount of cash will be determined on the basis of the market value of the Company' s Common Stock at the time of settlement.
Section 409A	This paragraph applies only if the Company determines that you are a "specified employee," as defined in the regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), at the time of your "separation from service," as defined in those regulations. If this paragraph applies, then any units that otherwise would have been settled during the first six months following your separation from service will instead be settled during the seventh month following your separation from service, unless the settlement of those units is exempt from Section 409A of the Code.
Nature of Units	Your units are mere bookkeeping entries. They represent only the Company' s unfunded and unsecured promise to issue shares of Common Stock (or distribute cash) on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.
No Voting Rights or Dividends	Your units carry neither voting rights nor rights to cash dividends. You have no rights as a stockholder of the Company unless and until your units are settled by issuing shares of the Company' s Common Stock.
Units Nontransferable	You may not sell, transfer, assign, pledge or otherwise dispose of any units. For instance, you may not use your units as security for a loan.
Withholding Taxes	No stock certificates or cash will be distributed to you unless you have made arrangements, as directed by the Company, for the payment of any withholding taxes that are due as a result of the settlement of this award. At the discretion of the Company, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be issued to you when the units are settled. The fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

Restrictions on Resale	You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.
Employment at Will	Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.
Adjustments	In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, as the Company may determine pursuant to the Plan.
Effect of Merger	If the Company is a party to a merger, consolidation or reorganization, then your units will be subject to Section 10.3 of the Plan, provided that any action taken must either (a) preserve the exemption of your units from Section 409A of the Code or (b) comply with Section 409A of the Code.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Prior Agreements	The text of the Plan is incorporated in this Agreement by reference. The Plan, this Agreement and the Notice of Stock Unit Award constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this grant are superseded. However, if you and the Company entered into a Severance Agreement, then that Severance Agreement is not superseded and will continue to apply as described below.
Amendments	This Agreement may be amended only by another written agreement between the parties.
Interpretation of Severance Agreement	If you and the Company entered into a Severance Agreement, then the vesting acceleration provisions or vesting continuation provisions (as applicable) of that Severance Agreement will be applied to this award as follows:

If a Change in Control (as defined in the Severance Agreement) occurs and you become entitled to accelerated vesting under the Severance Agreement after the Change in Control but before October 1, 2009, then 200% of the total number of your units will vest immediately. The 2009 and 2010 performance-based vesting conditions will be disregarded.

If no Change in Control occurs but you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) under the Severance Agreement before October 1, 2009, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the 2009 performance-based vesting condition will be deemed to have been met at the 100% award vesting level defined in the table above. The 2010 performance-based vesting conditions will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2009, but before October 1, 2010, then, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used. The 2010 performance-based vesting condition will be disregarded.

If you become entitled to accelerated vesting (or continued vesting during a defined Continuation Period) for any reason under the Severance Agreement after September 30, 2010, for the purpose of calculating the number of shares eligible for vesting acceleration or vesting continuation under the Severance Agreement, the actual percentage of the units calculated pursuant to the table above will be used and the 2010 performance-based vesting condition must also be satisfied.

Definitions:

Committee "Committee" means the Compensation Committee of the Company' s Board of Directors.

Permissible Trading Day "Permissible Trading Day" means a day that satisfies each of the following requirements:

The Nasdaq Global Market is open for trading on that day,

You are permitted to sell shares of the Company’ s Common Stock on that day without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, as amended,

Either (a) you are not in possession of material non-public information that would make it illegal for you to sell shares of the Company’ s Common Stock on that day under Rule 10b-5 of the Securities and Exchange Commission or (b) you have implemented a trading plan under Rule 10b5-1 of the Securities and Exchange Commission covering the shares of the Company’ s Common Stock to be issued under this Agreement and your trading plan has been approved by the Company’ s Compliance Officer,

Under the Company’ s written Securities Trading Policy, you are permitted to sell shares of the Company’ s Common Stock on that day, and

You are not prohibited from selling shares of the Company’ s Common Stock on that day by a written agreement between you and the Company or a third party.

Service	“Service” means service as an employee, consultant or director of the Company or a subsidiary of the Company.
Subscription Software Revenue	“Subscription Software Revenue” means subscription software revenue as determined under U.S. GAAP and published in the Company’ s periodic financial reports.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE, IN THE PLAN AND IN THE NOTICE OF STOCK UNIT AWARD.

EXHIBIT 31.1

CERTIFICATION

I, Robert M. Calderoni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ariba, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: February 6, 2009

/S/ ROBERT M. CALDERONI

Robert M. Calderoni

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Ahmed Rubaie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ariba, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: February 6, 2009

/S/ AHMED RUBAIE

Ahmed Rubaie

Executive Vice President and

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ariba, Inc. (the "Company") on Form 10-Q for the three months ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert M. Calderoni, as Chief Executive Officer of the Company, and Ahmed Rubaie, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/S/ ROBERT M. CALDERONI

Robert M. Calderoni
Chief Executive Officer

February 6, 2009

/S/ AHMED RUBAIE

Ahmed Rubaie
Executive Vice President and
Chief Financial Officer

February 6, 2009