

VIGNETTE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2007	December 31, 2006
	<u>(unaudited)</u>	<u>(audited)</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 94,201	\$ 98,832
Short-term investments	53,976	105,622
Accounts receivable, net of allowances of \$2,133 and \$2,600, respectively	37,229	35,700
Prepaid expenses and other current assets	5,336	7,163
Total current assets	<u>190,742</u>	<u>247,317</u>
Property and equipment, net	6,673	6,899
Investments	33,521	19,251
Goodwill	115,808	119,722
Other Intangible assets, net	17,500	25,900
Other assets	13,889	2,063
Total assets	<u>\$ 378,133</u>	<u>\$ 421,152</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 38,155	\$ 34,570
Deferred revenue	36,047	35,717
Other current liabilities	4,398	7,762
Total current liabilities	<u>78,600</u>	<u>78,049</u>
Long-term liabilities, less current portion	2,701	5,316
Total liabilities	<u>81,301</u>	<u>83,365</u>
Shareholders' equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 25,797,102 and 29,378,968 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively (net of treasury shares of 5,015,639 and 1,028,517 as of December 31, 2007 and December 31, 2006 respectively)	258	294
Additional paid-in capital	2,681,677	2,747,946
Accumulated other comprehensive income	2,701	2,176
Retained earnings	(2,387,804)	(2,412,629)
Total shareholders' equity	<u>296,832</u>	<u>337,787</u>
Total liabilities and shareholders' equity	<u>\$ 378,133</u>	<u>\$ 421,152</u>

VIGNETTE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Product license	\$ 18,045	\$ 19,215	\$ 56,059	\$ 66,368
Services	34,615	33,363	135,755	131,206
Total revenue	<u>52,660</u>	<u>52,578</u>	<u>191,814</u>	<u>197,574</u>
Cost of revenue:				
Product license	618	717	1,731	2,548
Amortization of acquired technology	1,254	1,254	5,016	5,017
Services	15,554	15,554	61,879	60,399
Total cost of revenue	<u>17,426</u>	<u>17,525</u>	<u>68,626</u>	<u>67,964</u>
Gross profit	35,234	35,053	123,188	129,610
Operating expenses:				
Research and development	8,045	8,355	30,990	34,013
Sales and marketing	18,550	16,974	62,041	70,192
General and administrative	4,753	4,231	19,564	17,941
Business restructuring charges/(benefits)	37	(84)	(80)	150
Amortization of other intangibles	846	907	3,384	3,720
Total operating expenses	<u>32,231</u>	<u>30,383</u>	<u>115,899</u>	<u>126,016</u>
Income (loss) from operations	3,003	4,670	7,289	3,594
Other income, net	3,434	2,793	11,845	10,613
Income before provision for income taxes	6,437	7,463	19,134	14,207
Provision for income taxes	(6,521)	648	(5,691)	1,888
Net income	<u>\$ 12,958</u>	<u>\$ 6,815</u>	<u>\$ 24,825</u>	<u>\$ 12,319</u>
Basic net income per common share	<u>\$ 0.50</u>	<u>\$ 0.23</u>	<u>\$ 0.90</u>	<u>\$ 0.42</u>
Diluted net income per common share	<u>\$ 0.49</u>	<u>\$ 0.23</u>	<u>\$ 0.89</u>	<u>\$ 0.41</u>
Shares used in computing net income per common share:				
Basic	26,053	29,748	27,501	29,658
Diluted	26,260	29,950	27,783	29,878

About Non-GAAP Financial Measures

The Company provides non-GAAP measures for net income, operating income and net income per share data as supplemental information regarding the Company's core business operational performance. The Company believes that these non-GAAP financial measures are useful to investors because they exclude certain non-operating or non-recurring charges. The Company's management excludes these non-operating or non-recurring charges when it internally evaluates the performance of the Company's business and makes operating decisions, including internal budgeting, performance measurement and the calculation of bonuses and discretionary compensation. In addition, these non-GAAP measures more closely reflect the essential revenue generation activities of the Company and the direct operating expenses (resulting in or from cash expenditures) needed to perform these revenue generating activities. Accordingly, management excludes amortization of acquired technology, stock-based compensation related to employee stock options, amortization expense for certain acquired intangible assets, and one-time charges and gains.

The Company believes that providing the non-GAAP measures that management uses is useful to investors for two primary reasons. First, it provides a consistent basis for investors to understand the Company's financial performance on a trended basis across many historical periods, particularly given the adoption of SFAS 123R at the beginning of fiscal year 2006 and the changes it has introduced for calculating stock-based compensation expenses relative to prior periods. And second, it allows investors to evaluate the Company's performance using the same methodology and information as that used by the Company's management.

Non-GAAP measures are subject to material limitations as these measures are not in accordance with, or a substitute for, US GAAP and therefore the Company's definition or interpretation may be different from similar non-GAAP measures used by other companies and independent financial analysts.

However, the Company's management compensates for these limitations by providing the relevant and detailed disclosure of the items excluded in the calculation of non-GAAP net income and net income per share, which should be supplementally considered when evaluating the Company's results. In addition, items such as amortization expense for certain intangible assets, stock compensation charges and one-time charges and gains that are excluded from non-GAAP net income and earnings per share can have a significant impact on earnings. Management compensates for these limitations by evaluating the non-GAAP measure together with the most directly comparable GAAP measure. The Company has historically provided non-GAAP measures to investors to supplement its GAAP results in order to help investors evaluate the company's core operating performance the way management does.

**Reconciliation of unaudited GAAP Operating Income, Net Income
and Net Income Per Share to Non-GAAP Operating Income, Net Income and
Net Income Per Share**

(in thousands except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
	As Reported (Unaudited)	As Reported (Unaudited)	As Reported (Unaudited)	As Reported (Unaudited)
GAAP Operating Income (Loss)	3,003	4,670	7,289	3,594
Amortization of acquired technology	1,254	1,254	5,016	5,017
Stock option expense (a)	717	359	2,427	2,077
Business restructuring charges (benefits)	37	(84)	(80)	150
Amortization of intangible assets	846	907	3,384	3,720
Adjusted Operating Income	<u>\$ 5,857</u>	<u>\$ 7,106</u>	<u>\$ 18,036</u>	<u>\$ 14,558</u>
GAAP Net Income	\$ 12,958	\$ 6,815	\$ 24,825	\$ 12,319
Amortization of acquired technology	1,254	1,254	5,016	5,017
Stock option expense (a)	717	359	2,427	2,077
Business restructuring charges (benefits)	37	(84)	(80)	150
Amortization of intangible assets	846	907	3,384	3,720
Gain on sale of patent	-	-	(263)	-
Purchase accounting credit	(544)	(763)	(694)	(1,358)
One-time accrual adjustment	(582)	-	(582)	-
Deferred tax valuation allowance adjustment	(7,354)	-	(7,354)	-
Adjusted Net Income	<u>\$ 7,332</u>	<u>\$ 8,488</u>	<u>\$ 26,679</u>	<u>\$ 21,925</u>
GAAP Net Income Per Share (diluted)	\$ 0.49	\$ 0.23	\$ 0.89	\$ 0.41
Adjusted Net Income Per Share (diluted)	\$ 0.28	\$ 0.28	\$ 0.96	\$ 0.73

Shares used in computing net income per share:

Diluted	26,260	29,950	27,783	29,878
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Supplemental Disclosure

(a) For the twelve months ended December 31, 2007 and December 31, 2006 the company excluded stock option expense of \$2,427 thousand and \$2,077 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$213 thousand and \$352 thousand, respectively; Research and development \$308 thousand and \$244 thousand, respectively; Sales and marketing \$618 thousand and \$544 thousand, respectively; and General and administrative \$1,288 thousand and \$937 thousand, respectively. For the three months ended December 31, 2007 and December 31, 2006 the company excluded stock option expense of \$717 thousand and \$359 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$62 thousand and \$55 thousand, respectively; Research and development \$85 thousand and \$47 thousand, respectively; Sales and marketing \$221 thousand and \$60 thousand, respectively; and General and administrative \$349 thousand and \$197 thousand, respectively.

The Company provides non-GAAP measures for net income, operating income and net income per share data as supplemental information regarding the Company's core business operational performance. The Company believes that these non-GAAP financial measures are useful to investors because they exclude certain non-operating or non-recurring charges. The

Company's management excludes these non-operating or non-recurring charges when it internally evaluates the performance of the Company's business and makes operating decisions, including internal budgeting, performance measurement and the calculation of bonuses and discretionary compensation. In addition, these non-GAAP measures more closely reflect the essential revenue generation activities of the Company and the direct operating expenses (resulting in or from cash expenditures) needed to perform these revenue generating activities. Accordingly, management excludes amortization of acquired technology, stock-based compensation related to employee stock options, amortization expense for certain acquired intangible assets, and one-time charges and gains.

The Company believes that providing the non-GAAP measures that management uses is useful to investors for two primary reasons. First, it provides a consistent basis for investors to understand the Company's financial performance on a trended basis across many historical periods, particularly given the adoption of SFAS 123R at the beginning of fiscal year 2006 and the changes it has introduced for calculating stock-based compensation expenses relative to prior periods. And second, it allows investors to evaluate the Company's performance using the same methodology and information as that used by the Company's management.

Non-GAAP measures are subject to material limitations as these measures are not in accordance with, or a substitute for, US GAAP and therefore the Company's definition or interpretation may be different from similar non-GAAP measures used by other companies and independent financial analysts. However, the Company's management compensates for these limitations by providing the relevant and detailed disclosure of the items excluded in the calculation of non-GAAP net income and net income per share, which should be supplementally considered when evaluating the Company's results. In addition, items such as amortization expense for certain intangible assets, stock compensation charges and one-time charges and gains that are excluded from non-GAAP net income and earnings per share can have a significant impact on earnings. Management compensates for these limitations by evaluating the non-GAAP measure together with the most directly comparable GAAP measure. The Company has historically provided non-GAAP measures to investors to supplement its GAAP results in order to help investors evaluate the company's core operating performance the way management does.