

VIGNETTE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

in thousands, except share and per share data

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,348	\$ 94,201
Short-term investments	18,572	53,976
Accounts receivable, net of allowance of \$676 and \$2,133, respectively	24,564	37,229
Prepaid expenses and other current assets	6,148	5,336
Total current assets	169,632	190,742
Property and equipment, net	5,981	6,673
Long-term investments	4,945	33,521
Goodwill	121,090	115,808
Other intangible assets, net	10,639	17,500
Other assets	12,156	13,889
Total assets	<u>\$ 324,443</u>	<u>\$ 378,133</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,876	\$ 38,155
Deferred revenue	32,605	36,047
Other current liabilities	5,534	4,398
Total current liabilities	58,015	78,600
Long-term liabilities, less current portion	2,076	2,701
Total liabilities	60,091	81,301
Shareholders' equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 23,698,945 and 25,797,102 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively (net of treasury shares of 7,579,366 and 5,015,639 as of December 31, 2008 and December 31, 2007, respectively)	237	258
Additional paid-in capital	2,656,743	2,681,677
Accumulated other comprehensive income	1,452	2,701
Retained earnings	(2,394,080)	(2,387,804)
Total shareholders' equity	<u>264,352</u>	<u>296,832</u>
Total liabilities and shareholders' equity	<u>\$ 324,443</u>	<u>\$ 378,133</u>

VIGNETTE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

in thousands, except per share data

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenue:				
Product license	\$ 7,250	\$ 18,045	\$ 34,564	\$ 56,059
Services	29,906	34,615	134,982	135,755
Total revenue	37,156	52,660	169,546	191,814
Cost of revenue:				
Product license	574	618	1,914	1,731
Amortization of acquired technology	1,310	1,254	5,166	5,016
Services	12,724	15,554	58,960	61,879
Total cost of revenue	14,608	17,426	66,040	68,626
Gross profit	22,548	35,234	103,506	123,188
Operating expenses:				
Research and development	7,103	8,045	32,834	30,990
Sales and marketing	12,028	18,550	57,202	62,041
General and administrative	4,139	4,753	18,394	19,564
Business restructuring (benefit) charges	1,334	37	3,720	(80)
Amortization of intangible assets	869	846	3,387	3,384
Total operating expenses	25,473	32,231	115,537	115,899
Income (loss) from operations	(2,925)	3,003	(12,031)	7,289
Other income, net	2,993	3,434	7,188	11,845
Income (loss) before provision for income taxes	68	6,437	(4,843)	19,134
Provision for (benefit from) income taxes	297	(6,521)	1,433	(5,691)
Net income (loss)	\$ (229)	\$ 12,958	\$ (6,276)	\$ 24,825
Basic net income (loss) per share	\$ (0.01)	\$ 0.50	\$ (0.27)	\$ 0.90
Diluted net income (loss) per share	\$ (0.01)	\$ 0.49	\$ (0.27)	\$ 0.89
Shares used in computing basic net income (loss) per common share	23,044	26,053	23,587	27,501
Shares used in computing diluted net income (loss) per common share	23,044	26,260	23,587	27,783

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, business restructuring charges (benefits), 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. 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, business restructuring charges (benefits) 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.

VIGNETTE CORPORATION

RECONCILIATION OF UNAUDITED GAAP OPERATING INCOME (LOSS), NET INCOME (LOSS) AND NET INCOME (LOSS) PER SHARE TO
NON-GAAP OPERATING INCOME, NET INCOME AND NET INCOME PER SHARE

(Unaudited)

in thousands, except per share data

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
GAAP Operating Income (Loss)	\$ (2,925)	\$ 3,003	\$ (12,031)	\$ 7,289
Amortization of acquired technology	1,310	1,254	5,166	5,016
Stock option expense (a)	753	717	2,922	2,427
Business restructuring charges (benefits)	1,334	37	3,720	(80)
Amortization of intangible assets	869	846	3,387	3,384
Adjusted Operating Income	\$ 1,341	\$ 5,857	\$ 3,164	\$ 18,036
GAAP Net Income (Loss)	\$ (229)	\$ 12,958	\$ (6,276)	\$ 24,825
Amortization of acquired technology	1,310	1,254	5,166	5,016
Stock option expense (a)	753	717	2,922	2,427
Business restructuring charges (benefits)	1,334	37	3,720	(80)
Amortization of intangible assets	869	846	3,387	3,384
Gain on sale of patent	(50)	-	(150)	(263)
Purchase accounting credit	-	(544)	-	(694)
One-time accrual adjustment	(1,789)	(582)	(1,789)	(582)
Deferred tax valuation allowance adjustment	-	(7,354)	-	(7,354)
Adjusted Net Income	\$ 2,198	\$ 7,332	\$ 6,980	\$ 26,679
GAAP Net Income (Loss) Per Share (diluted)	\$ (0.01)	\$ 0.49	\$ (0.26)	\$ 0.89
Adjusted Net Income Per Share (diluted)	\$ 0.09	\$ 0.28	\$ 0.29	\$ 0.96
Shares used in computing net income (loss) per share:				
Diluted	23,198	26,260	23,780	27,783

Supplemental Disclosure

(a) For the three months ended December 31, 2008 and December 31, 2007 the company excluded stock option expense of \$753 thousand and \$717 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$50 thousand and \$62 thousand, respectively; Research and development \$147 thousand and \$85 thousand, respectively; Sales and marketing \$84 thousand and \$221 thousand, respectively; and General and administrative \$472 thousand and \$349 thousand, respectively.

For the twelve months ended December 31, 2008 and December 31, 2007 the company excluded stock option expense of \$2,922 thousand and \$2,427 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$199 thousand and \$213 thousand, respectively; Research and development \$523 thousand and \$308 thousand, respectively; Sales and marketing \$443 thousand and \$618 thousand, respectively; and General and administrative \$1,757 thousand and \$1,288 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, business restructuring charges (benefits), 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, business restructuring charges (benefits) 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.