

VIGNETTE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

*in thousands, except share and per share data*

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 107,507	\$ 94,201
Short-term investments	36,267	53,976
Accounts receivable, net of allowance of \$580 and \$2,133, respectively	28,053	37,229
Prepaid expenses and other current assets	6,614	5,336
Total current assets	178,441	190,742
Property and equipment, net	6,695	6,673
Long-term investments	5,811	33,521
Goodwill	121,141	115,808
Other intangible assets, net	12,818	17,500
Other assets	12,473	13,889
Total assets	<u>\$ 337,379</u>	<u>\$ 378,133</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 29,991	\$ 38,155
Deferred revenue	35,683	36,047
Other current liabilities	4,855	4,398
Total current liabilities	70,529	78,600
Long-term liabilities, less current portion	2,535	2,701
Total liabilities	73,064	81,301
Shareholders' equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 23,770,382 and 25,797,102 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively (net of treasury shares of 7,510,886 and 5,015,639 as of September 30, 2008 and December 31, 2007, respectively)	238	258
Additional paid-in capital	2,655,408	2,681,677
Accumulated other comprehensive income	2,520	2,701
Retained earnings	(2,393,851)	(2,387,804)
Total shareholders' equity	264,315	296,832
Total liabilities and shareholders' equity	<u>\$ 337,379</u>	<u>\$ 378,133</u>

**VIGNETTE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
*in thousands, except per share data*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Revenue:</b>				
Product license	\$ 7,633	\$ 8,038	\$ 27,314	\$ 38,014
Services	34,243	35,509	105,076	101,140
Total revenue	<u>41,876</u>	<u>43,547</u>	<u>132,390</u>	<u>139,154</u>
<b>Cost of revenue:</b>				
Product license	328	428	1,340	1,113
Amortization of acquired technology	1,310	1,254	3,856	3,762
Services	14,682	14,338	46,236	46,325
Total cost of revenue	<u>16,320</u>	<u>16,020</u>	<u>51,432</u>	<u>51,200</u>
Gross profit	25,556	27,527	80,958	87,954
<b>Operating expenses:</b>				
Research and development	8,356	7,318	25,732	22,945
Sales and marketing	14,039	14,064	45,174	43,491
General and administrative	4,804	4,833	14,255	14,811
Business restructuring (benefit) charges	2,625	43	2,386	(117)
Amortization of intangible assets	869	846	2,518	2,538
Total operating expenses	<u>30,693</u>	<u>27,104</u>	<u>90,065</u>	<u>83,668</u>
Income (loss) from operations	(5,137)	423	(9,107)	4,286
Other income, net	792	2,894	4,195	8,411
Income (loss) before provision for income taxes	(4,345)	3,317	(4,912)	12,697
Provision for income taxes	-	274	1,135	830
Net income (loss)	<u>\$ (4,345)</u>	<u>\$ 3,043</u>	<u>\$ (6,047)</u>	<u>\$ 11,867</u>
Basic net income (loss) per share	<u>\$ (0.19)</u>	<u>\$ 0.11</u>	<u>\$ (0.25)</u>	<u>\$ 0.42</u>
Diluted net income (loss) per share	<u>\$ (0.19)</u>	<u>\$ 0.11</u>	<u>\$ (0.25)</u>	<u>\$ 0.42</u>
Shares used in computing basic net income (loss) per common share	23,074	27,155	23,768	27,988
Shares used in computing diluted net income (loss) per common share	23,074	27,429	23,768	28,286

## 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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>GAAP Operating Income (Loss)</b>	<b>\$ (5,137)</b>	<b>\$ 423</b>	<b>\$ (9,107)</b>	<b>\$ 4,286</b>
Amortization of acquired technology	1,310	1,254	3,856	3,762
Stock option expense (a)	873	690	2,169	1,710
Business restructuring charges (benefits)	2,625	43	2,386	(117)
Amortization of intangible assets	869	846	2,518	2,538
<b>Adjusted Operating Income</b>	<b>\$ 540</b>	<b>\$ 3,256</b>	<b>\$ 1,822</b>	<b>\$ 12,179</b>
<b>GAAP Net Income (Loss)</b>	<b>\$ (4,345)</b>	<b>\$ 3,043</b>	<b>\$ (6,047)</b>	<b>\$ 11,867</b>
Amortization of acquired technology	1,310	1,254	3,856	3,762
Stock option expense (a)	873	690	2,169	1,710
Business restructuring charges (benefits)	2,625	43	2,386	(117)
Amortization of intangible assets	869	846	2,518	2,538
Gain on sale of patent	(100)	-	(100)	(263)
Purchase accounting credit	-	(54)	-	(150)
<b>Adjusted Net Income</b>	<b>\$ 1,232</b>	<b>\$ 5,822</b>	<b>\$ 4,782</b>	<b>\$ 19,347</b>
<b>GAAP Net Income (Loss) Per Share (diluted)</b>	<b>\$ (0.19)</b>	<b>\$ 0.11</b>	<b>\$ (0.25)</b>	<b>\$ 0.42</b>
<b>Adjusted Net Income Per Share (diluted)</b>	<b>\$ 0.05</b>	<b>\$ 0.21</b>	<b>\$ 0.20</b>	<b>\$ 0.68</b>
Shares used in computing net income (loss) per share:				
Diluted	23,340	27,429	23,975	28,286

Supplemental Disclosure

(a) For the three months ended September 30, 2008 and September 30, 2007 the company excluded stock option expense of \$873 thousand and \$690 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$55 thousand and \$62 thousand, respectively; Research and development \$143 thousand and \$95 thousand, respectively; Sales and marketing \$201 thousand and \$195 thousand, respectively; and General and administrative \$474 thousand and \$338 thousand, respectively.

For the nine months ended September 30, 2008 and September 30, 2007 the company excluded stock option expense of \$2,169 thousand and \$1,710 thousand, respectively, in its non-GAAP results which was attributable to the following cost categories: Cost of revenue services \$149 thousand and \$151 thousand, respectively; Research and development \$376 thousand and \$223 thousand, respectively; Sales and marketing \$359 thousand and \$397 thousand, respectively; and General and administrative \$1,285 thousand and \$939 thousand, respectively.

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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.