

Business Objects Reports Q3 2006 Results

Total Revenues Grew 19 Percent Year-Over-Year Revenues and EPS Exceeded Company's Guidance

SAN JOSE, Calif. and PARIS - October 25, 2006 - Business Objects (Nasdaq: BOBJ; Euronext Paris ISIN code FR0004026250 - BOB), the world's leading provider of business intelligence (BI) solutions, today announced results for the third quarter ended September 30, 2006.

Total revenues for the third quarter of 2006 were \$310 million, up 19 percent year-over-year. License revenues for the third quarter of 2006 were \$132 million, up 9 percent year-over-year. Services revenues, including maintenance and global professional services, for the third quarter of 2006 were \$179 million, up 27 percent year-over-year.

US GAAP diluted earnings per share for the third quarter of 2006 were \$0.21, flat year-over-year after including approximately \$11 million of additional stock-based compensation expense under FAS 123(R) in the third quarter of 2006. Non-GAAP diluted earnings per share for the third quarter of 2006 were \$0.41, up 37 percent year-over-year. Total revenues and diluted earnings per share exceeded the high-end of the company's guidance range for the quarter.

All figures referred to herein are stated in US dollars unless otherwise indicated. The three months and nine months ended September 30, 2006 non-GAAP results, as defined below in the section "Use of Non-GAAP Financial Measures," differ from results measured under US GAAP as they exclude amortization of intangible assets, write-off of in-process R&D, and stock-based compensation expense. US GAAP numbers for the three months and nine months ended September 30, 2005 do not include stock-based compensation expense under FAS 123(R). A reconciliation of US GAAP to non-GAAP results is included at the end of this press release.

"Our revenues grew 19 percent year-over-year and 5 percent sequentially in a typically weaker quarter on the continued strength of the Americas and significantly improved contribution from Asia-Pacific and Japan," said John Schwarz, chief executive officer of Business Objects. "We continued to improve our margins, concluded 9 deals over \$1 million, expanded the breadth of our enterprise performance management and enterprise information management solutions, and gained traction in the mid-market."

Third Quarter 2006 Business Highlights

Revenue Growth in All Geographies

- Total revenues in the Americas for the third quarter of 2006 were \$175 million, up 27 percent year-over-year. The Americas closed 6 transactions over \$1 million in license revenues.
- Total revenues in Europe, Middle-East and Africa (or EMEA) for the third quarter of 2006 were \$113 million, up 7 percent year-over-year (up 3 percent in constant currencies). EMEA closed 2 transactions over \$1 million in license revenues, including 1 in excess of \$5 million.

- Total revenues in Asia-Pacific and Japan (or APJ) for the third quarter of 2006 were \$23 million, up 19 percent year-over-year. APJ closed 1 transaction over \$1 million in license revenues.

New Products Drive Growth in License Revenues

- License revenues for enterprise performance management (EPM) solutions, including planning, budgeting, and dashboard applications, were \$19 million for the third quarter of 2006, up 138 percent year-over-year.
- License revenues for enterprise information management (EIM) solutions, including data quality and data integration, were \$13 million for the third quarter of 2006, up 74 percent year-over-year.
- License revenues for core business intelligence solutions were \$100 million for the third quarter of 2006, down 5 percent year-over-year, but up 4% from the second quarter of 2006. As customers complete migrations and older versions of our products are displaced by BusinessObjects XI, we expect this segment to return to growth.
- Included in the above categories, license revenues for BusinessObjects XI were \$96 million for the third quarter of 2006, up 47 percent year-over-year.

Maintenance and Consulting Drive Growth in Services Revenues

- Maintenance revenues for the third quarter of 2006 were \$129 million, up 24 percent year-over-year.
- Global services revenues for the third quarter of 2006 were \$50 million, up 34 percent year-over-year.

Company Continues to Improve Margins

- Income from operations on a US GAAP basis for the third quarter of 2006 was \$29 million, or 10 percent of total revenues, as compared to \$30 million, or 12 percent of total revenues, for the third quarter of 2005. However, the third quarter of 2006 included approximately \$11 million of additional stock-based compensation expense under FAS 123(R).
- Income from operations on a non-GAAP basis for the third quarter of 2006 was \$53 million, or an increase to 17 percent of total revenues, as compared to \$42 million, or 16 percent of total revenues, for the third quarter of 2005.
- The effective tax rate on a US GAAP basis for the third quarter of 2006 was 43 percent, as compared to 41 percent for the third quarter of 2005. The effective tax rate on a non-GAAP basis for the third quarter of 2006 was 33 percent, as compared to 38 percent for the third quarter of 2005.
- Net income on a US GAAP basis for the third quarter of 2006 was \$20 million, flat year-over-year, after the inclusion of additional stock-based compensation expense from FAS 123(R).
- Net income on a non-GAAP basis for the third quarter of 2006 was \$39 million, up 39% year-over-year.

Strong Balance Sheet and Cash Flow

- Total cash, cash equivalents and short-term investments were \$504 million at September 30, 2006, up \$167 million from December 31, 2005.

- Total deferred and long-term deferred revenues were \$262 million at September 30, 2006, up \$53 million from December 31, 2005.
- Net cash flow from operating activities was \$220 million for the nine months ended September 30, 2006.

Other Business Highlights

- Notable customer wins in the third quarter of 2006 included: Australia Post, Banner Health, BMC, British Vita Unlimited, Defense Logistics Agency, Europcar, Groupe Sodexo Alliance, Italferr S.p.A. Gruppo Ferrovie dello Stato, Johnson Controls, Land and Agricultural Bank of South Africa, Kaiser Permanente, Kyobo Life Insurance, Ministère de l'Agriculture et de la Pêche, Northamptonshire County Council, Siemens Business Services, US Social Security Administration, Tribune Company, US Army, US Navy, USTRANSCOM, and Zions Bancorporation.
- In October, Business Objects was again named the business intelligence (BI) market share leader, according to the 2005 BI platform market share report issued by Gartner. In September, IDC issued the report "Western European Business Intelligence Tools, 2005 Vendor Shares" (IDC #LT07N, August 2006), which stated that Business Objects has strengthened its position as the leading BI vendor in Western Europe. In August, Crystal Vision Server XI was named a Midmarket Product of the Year by CMP Media's *VARBusiness* magazine.
- The company launched BusinessObjects Data Quality XI, a suite of products that advances the data quality solutions integrated from the acquisition of Firstlogic, Inc.
- The company released its integrated planning, budgeting, forecasting, and consolidation solutions on the BusinessObjects XI platform.
- Business Objects and Salesforce.com expanded their partnership to deliver Business Objects reporting and dashboard capabilities on AppExchange for Salesforce.com customers.
- Business Objects announced the availability of Crystal Reports® for Eclipse, a report design and deployment environment for Java application developers.
- In the third quarter of 2006, Business Objects added over 20 new OEMs and over 100 new VARs to the company's community of partners.

Addition of ALG Software Strengthens Enterprise Performance Management Offering

- On October 2, 2006, the company completed its acquisition of privately-held Armstrong Laing Limited, or "ALG Software," a leading provider of profitability management and activity based costing solutions. ALG Software's profitability management and activity based costing solutions represent a fast-growing segment of the EPM market and complement the existing Business Objects EPM solutions.
- The acquisition was an all-cash transaction of approximately £30 million GBP (approximately \$56 million USD at then current exchange rates) and will be accounted for under the purchase method of accounting.

Business Outlook

Business Objects offers the following guidance for the quarter ending December 31, 2006. Total revenues for the fourth quarter are expected to be up on a sequential basis due to both a

seasonally stronger fourth quarter and the impact of revenues from the ALG Software acquisition.

- Total revenues have been increased to an expected range of \$348 million to \$356 million.
- US GAAP diluted earnings per share are expected to range from \$0.29 to \$0.34.
- Non-GAAP diluted earnings per share are expected to range from \$0.53 to \$0.58.

Non-GAAP diluted earnings per share for the quarter ending December 31, 2006 are expected to add back approximately \$12 million of amortization of intangible assets, approximately \$12 million of stock based compensation expense, and approximately \$3 million of in-process R&D, which would impact EPS by approximately \$0.24, after tax effect.

Business Objects updates the following guidance for the fiscal year ending December 31, 2006. For the full year, the company has revised its revenues and non-GAAP earnings guidance upward from the previous guidance due to the higher than previously forecast third quarter results as well as the impact of revenues from the ALG Software acquisition. The company has decreased its US GAAP diluted EPS guidance due to the purchase accounting expenses of the ALG Software acquisition.

- Total revenues have been increased to an expected range of \$1.231 billion to \$1.239 billion.
- US GAAP diluted earnings per share are expected to range from \$0.71 to \$0.76.
- Non-GAAP diluted earnings per share are expected to range from \$1.57 to \$1.62.

Non-GAAP diluted earnings per share for the year ending December 31, 2006 are expected to add back approximately \$48 million of amortization of intangible assets and the write-off of in-process R&D and \$44 million of stock based compensation expense, which would impact EPS by approximately \$0.86 per share, after tax effect.

The US GAAP guidance includes stock based compensation expense from the application of FAS 123(R). This anticipated stock based compensation expense of approximately \$12 million in the quarter ending December 31, 2006, and \$44 million for the full year 2006, includes the impact of options assumed in prior acquisitions, as well as prior employee grants, and estimated employee grants for the current year. These expected expenses are based on estimates, including future stock price, employee turnover, growth in new employees, grants to current and new employees, stock volatility, and future interest rates.

The outlook for the quarter ending December 31, 2006 assumes a US dollar to euro exchange rate of \$1.26 per €1.00, a US dollar to Canadian dollar exchange rate of \$0.89 per CDN \$1.00 and an effective US GAAP tax rate of 43 percent, and a non-GAAP tax rate of 33 percent. The non-GAAP tax rate differs from the US GAAP tax rate due to the elimination of the tax rate effect of the US GAAP expenses that are being eliminated to arrive at the non-GAAP expenses. Fully diluted shares outstanding are expected to be 96.2 million for the fourth quarter and 95.5 million for the full year of 2006.

The above information concerning our forecast for the fourth quarter and full year 2006 represents our outlook only as of the date hereof, and we undertake no obligation to update or revise any financial forecast or other forward looking statements, as a result of new developments or otherwise.

Conference Call

Business Objects will hold a conference call to discuss its financial results for the third quarter of 2006 on October 25, 2006. The call will begin at 2:00 p.m. PT (5:00 p.m. New York, 11:00 p.m. Paris, 10:00 p.m. London). The dial-in numbers are (800) 399-7988 for North America and (706) 634-5428 for Europe and Asia with ID # 8056901. The conference call also will be webcast live, and can be accessed on the company's investor relations website at www.businessobjects.com. A replay of the webcast will be available on the site approximately two hours after the end of the live call.

Accounting Principles

Business Objects prepares its financial statements in accordance with US GAAP. Because the company is listed on both the Eurolist by Euronext™ in France and the Nasdaq Global Select Market in the United States, it is required to separately report consolidated financial statements prepared in accordance with both US GAAP and International Financial Reporting Standards ("IFRS"). The most significant identified differences between the two reporting standards for Business Objects relate to the treatment of stock-based compensation expense, the accounting for deferred tax assets on certain intercompany transactions and the accounting for business combinations.

In accordance with French regulations and IFRS, Business Objects filed with the *Autorité des Marchés Financiers* in France its *Document de Référence* 2005 on April 24, 2006 under the registration number R.06-038, which included its consolidated financial statements for the year ended on December 31, 2005. The *Document de Référence* 2005 includes the consolidated information that Business Objects published on April 26, 2006 to the *Bulletin des Annonces Légales Obligatoires* ("BALO") in France. In addition, the company published its mid-year financial statements for the first half of 2006 in accordance with IFRS in the BALO in France on October 20, 2006.

Use of Non-GAAP Financial Measures

The non-GAAP financial measures such as operating income, net income, and earnings per share information for the third quarter and full year included in this press release are different from those otherwise presented under US GAAP as these non-GAAP measures exclude certain charges. These charges include the write-off of in-process research and development, amortization of intangible assets, and stock-based compensation expense. The non-GAAP tax rate differs from the US GAAP tax rate due to the elimination of the tax rate effect of the US GAAP expenses that are being eliminated to arrive at the non-GAAP expenses. Business Objects has provided these measures in addition to US GAAP financial results because management believes these non-GAAP measures provide a consistent basis for comparison between quarters and of growth rates year-over-year that are not influenced by certain non-cash charges or

impacts of prior period acquisitions, and therefore are helpful in understanding Business Objects' underlying operating results. In addition, this press release also includes non-GAAP measures that use a constant currency to separate the impact of conversion from other foreign currencies to US dollars from other changes in our business. These non-GAAP measures are some of the primary measures Business Objects' management uses for planning and forecasting. These measures are not in accordance with, or an alternative to, US GAAP and these non-GAAP measures may not be comparable to information provided by other companies. Reconciliations of US GAAP to non-GAAP results are presented at the end of this press release.

About Business Objects

Business Objects is the world's leading business intelligence (BI) software company, with more than 39,000 customers worldwide, including over 80 percent of the Fortune 500. Business Objects helps organizations of all sizes create a trusted foundation for decision making, gain better insight into their business, and optimize performance. The company's innovative business intelligence suite, BusinessObjects™ XI, offers the BI industry's most advanced and complete solution for performance management, planning, reporting, query and analysis, and enterprise information management. BusinessObjects XI includes the award-winning Crystal line of reporting and data visualization software. Business Objects has also built the industry's strongest and most diverse partner community, and offers consulting and education services to help customers effectively deploy their business intelligence projects.

Business Objects has dual headquarters in San Jose, Calif., and Paris, France. The company's stock is traded on both the Nasdaq (BOBJ) and Euronext Paris (ISIN: FR0004026250 - BOB) stock exchanges. More information about Business Objects can be found at www.businessobjects.com.

Forward-Looking Statements

This document contains forward-looking statements that involve risks and uncertainties concerning the company's expected growth and profitability; the company's licensing and adoption of its BusinessObjects XI products; the integration of recent acquisitions; the migration from existing and Crystal Decisions products to BusinessObjects XI; the adoption of the company's new EPM offerings. The company's expected financial performance for the fourth quarter and full year 2006 and the company's product and business strategies. Actual events or results may differ materially from those described in this document due to a number of risks and uncertainties. These potential risks and uncertainties include, among others, fluctuations in the company's quarterly and yearly operating results; the company's ability to estimate and sustain or increase its profitability; the company's ability to attract, migrate and retain customers for BusinessObjects XI; the enterprise performance management products and products acquired Amstron Laing Limited; the company's ability to issue new releases of its products, including those obtained through acquired businesses; the company's ability to integrate acquired businesses successfully; changes to current accounting policies which may have a significant, adverse impact upon the company's financial results, including FAS 123(R); the introduction of new products by competitors or the entry of new competitors into the markets for Business Objects' products; the impact of the pricing of competing technologies; the company's ability to preserve its key strategic relationships; the company's reliance upon selling products only in the Business Intelligence software market; the company's ability to manage

large scale deployments; the company's mid-market strategy; and economic and political conditions in the US and abroad. More information about potential factors that could affect Business Objects' business and financial results is included in Business Objects' Form 10-K for the year ended December 31, 2005 and Form 10-Q for the quarter ended June 30, 2006, each of which are on file with the SEC and available at the SEC's website at www.sec.gov. Business Objects is not obligated to undertake any obligation to update these forward-looking statements to reflect events or circumstances after the date of this document.

Business Objects and the Business Objects logo, BusinessObjects, WebIntelligence, Crystal Reports, Intelligent Question, Xcelsius, and Desktop Intelligence are trademarks or registered trademarks of Business Objects S.A. or its affiliated companies in the United States and/or other countries. All other names mentioned herein may be trademarks of their respective owners.

Business Objects Contacts

John Ederer
Vice President of Investor Relations
+1 408 953 6064
john.ederer@businessobjects.com

Nicole Noutsios
U.S. Investor Relations
+1 408 953 6339
nicole.noutsios@businessobjects.com

Philippe Laguerre
Director of Public Relations EMEA
+33 1 41 25 38 15
philippe.laguerre@businessobjects.com

BUSINESS OBJECTS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per ordinary share and ADS data)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|------------------|--------------------------|------------------|
| | September 30, | | September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Revenues: | (unaudited) | | (unaudited) | |
| Net license fees | \$ 131,602 | \$ 120,308 | \$ 380,606 | \$ 360,317 |
| Services | 178,833 | 141,073 | 502,584 | 412,248 |
| Total revenues | <u>310,435</u> | <u>261,381</u> | <u>883,190</u> | <u>772,565</u> |
| Cost of revenues: | | | | |
| Net license fees | 10,870 | 7,169 | 29,122 | 21,586 |
| Services | 67,607 | 54,854 | 194,397 | 159,016 |
| Total cost of revenues | <u>78,477</u> | <u>62,023</u> | <u>223,519</u> | <u>180,602</u> |
| Gross profit | 231,958 | 199,358 | 659,671 | 591,963 |
| Operating expenses: | | | | |
| Sales and marketing | 121,451 | 103,622 | 362,074 | 312,131 |
| Research and development | 50,633 | 42,849 | 147,014 | 123,550 |
| General and administrative | 30,379 | 22,799 | 89,707 | 69,830 |
| Total operating expenses | <u>202,463</u> | <u>169,270</u> | <u>598,795</u> | <u>505,511</u> |
| Income from operations | 29,495 | 30,088 | 60,876 | 86,452 |
| Interest and other income, net | 4,726 | 2,895 | 10,589 | 10,473 |
| Income before provision for income taxes | 34,221 | 32,983 | 71,465 | 96,925 |
| Provision for income taxes | (14,652) | (13,416) | (31,610) | (39,213) |
| Net income | <u>\$ 19,569</u> | <u>\$ 19,567</u> | <u>\$ 39,855</u> | <u>\$ 57,712</u> |
| Basic net income per ordinary share and ADS | <u>\$ 0.21</u> | <u>\$ 0.22</u> | <u>\$ 0.43</u> | <u>\$ 0.64</u> |
| Diluted net income per ordinary share and ADS | <u>\$ 0.21</u> | <u>\$ 0.21</u> | <u>\$ 0.42</u> | <u>\$ 0.63</u> |
| Ordinary shares and ADSs used in computing basic net income per ordinary share and ADS | <u>93,685</u> | <u>90,552</u> | <u>93,204</u> | <u>90,005</u> |
| Ordinary shares and ADSs and equivalents used in computing diluted net income per ordinary share and ADS | <u>94,976</u> | <u>93,455</u> | <u>94,922</u> | <u>92,286</u> |

BUSINESS OBJECTS S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except nominal value per ordinary share)

| | September 30, 2006 | December 31, 2005 |
|---|---------------------------|--------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 499,128 | \$ 332,777 |
| Short-term investments | 5,194 | 4,651 |
| Restricted cash | 19,513 | 22,157 |
| Accounts receivable, net | 250,269 | 265,672 |
| Deferred tax assets | 13,187 | 13,605 |
| Prepaid and other current assets | 67,619 | 60,880 |
| Total current assets | 854,910 | 699,742 |
| Goodwill | 1,218,048 | 1,166,043 |
| Other intangible assets, net | 115,091 | 110,512 |
| Property and equipment, net | 90,445 | 74,116 |
| Deposits and other assets | 24,522 | 34,945 |
| Long-term restricted cash | 24,388 | 20,858 |
| Long-term deferred tax assets | 19,906 | 17,142 |
| Total assets | \$ 2,347,310 | \$ 2,123,358 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 48,499 | \$ 45,777 |
| Accrued payroll and related expenses | 86,483 | 83,332 |
| Income taxes payable | 110,304 | 79,820 |
| Deferred revenues | 253,243 | 201,788 |
| Other current liabilities | 84,717 | 72,098 |
| Escrows payable | 14,154 | 21,728 |
| Total current liabilities | 597,400 | 504,543 |
| Long-term escrows payable | 17,911 | 10,902 |
| Other long-term liabilities | 7,621 | 8,871 |
| Long-term deferred tax liabilities | 2,497 | 2,853 |
| Long-term deferred revenues | 8,447 | 6,734 |
| Total liabilities | 633,876 | 533,903 |
| Shareholders' equity | | |
| Ordinary shares, Euro 0.10 nominal value | 10,582 | 10,359 |
| Additional paid-in capital | 1,274,943 | 1,217,473 |
| Treasury, Business Objects Option LLC, and Employee Benefit Sub-Plan Trust shares | (5,030) | (3,223) |
| Retained earnings | 382,200 | 342,345 |
| Unearned compensation | - | (12,243) |
| Accumulated other comprehensive income | 50,739 | 34,744 |
| Total shareholders' equity | 1,713,434 | 1,589,455 |
| Total liabilities and shareholders' equity | \$ 2,347,310 | \$ 2,123,358 |

BUSINESS OBJECTS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Nine Months Ended | |
|---|--------------------------|------------|
| | September 30, | |
| | 2006 | 2005 |
| | (unaudited) | |
| Operating activities: | | |
| Net income | \$ 39,855 | \$ 57,712 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 23,078 | 24,016 |
| Amortization of other intangible assets | 29,937 | 23,865 |
| Stock-based compensation expense | 37,853 | 3,922 |
| Acquired in-process research and development | 3,600 | 2,384 |
| Loss on disposal of assets | 244 | 831 |
| Deferred income taxes | (10,754) | 4,030 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 33,453 | 40,331 |
| Prepaid and other current assets | (2,159) | (13,340) |
| Deposits and other assets | 10,492 | 11,379 |
| Accounts payable | (1,245) | 1,616 |
| Accrued payroll and related expenses | (9,172) | (15,645) |
| Income taxes payable | 29,821 | (1,270) |
| Deferred revenues | 34,517 | 3,237 |
| Other liabilities | 1,196 | (13,111) |
| Short-term investments classified as trading | (543) | (970) |
| Net cash provided by operating activities | 220,173 | 128,987 |
| Investing activities: | | |
| Purchases of property and equipment | (34,251) | (22,477) |
| Business acquisitions, net of acquired cash | (65,233) | (95,858) |
| Proceeds from sale of division | 2,625 | - |
| Increase (decrease) in escrows payable | (1,031) | 17,957 |
| Transfer of cash from restricted cash accounts | (694) | (17,955) |
| Net cash used in investing activities | (98,584) | (118,333) |
| Financing activities: | | |
| Issuance of shares | 32,411 | 30,095 |
| Net cash provided by financing activities | 32,411 | 30,095 |
| Effect of foreign exchange rate changes on cash and cash equivalents | 12,351 | (1,770) |
| Net increase in cash and cash equivalents | 166,351 | 38,979 |
| Cash and cash equivalents, beginning of the period | 332,777 | 293,485 |
| Cash and cash equivalents, end of the period | \$ 499,128 | \$ 332,464 |

BUSINESS OBJECTS S.A.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(in millions, except per ordinary share and ADS data, unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| GAAP Cost of Revenues | \$ 78.4 | \$ 62.0 | \$ 223.5 | \$ 180.6 |
| Amortization of intangible assets | | | | |
| in cost of net licence fees | (7.5) | (5.2) | (21.0) | (15.9) |
| in cost of services | (2.3) | (2.3) | (7.7) | (7.0) |
| Total | (9.8) | (7.5) | (28.7) | (22.9) |
| Stock-based compensation | | | | |
| in cost of services | (1.5) | (0.2) | (4.3) | (0.6) |
| Total | (1.5) | (0.2) | (4.3) | (0.6) |
| Non-GAAP Cost of Revenues | 67.1 | 54.3 | 190.5 | 157.1 |
| GAAP Gross Profit | 232.0 | 199.4 | 659.7 | 592.0 |
| | 75% | 76% | 75% | 77% |
| Amortization of intangible assets | 9.8 | 7.5 | 28.7 | 22.9 |
| Stock-based compensation | 1.5 | 0.2 | 4.3 | 0.6 |
| Non-GAAP Gross Profit | 243.3 | 207.1 | 692.7 | 615.5 |
| | 78% | 79% | 78% | 80% |
| GAAP Operating Expenses | 202.5 | 169.3 | 598.8 | 505.5 |
| Amortization of intangible assets and in-process R&D | | | | |
| in sales and marketing expenses | (0.4) | (0.3) | (1.1) | (0.3) |
| in research and development expenses | (0.4) | (2.4) | (3.7) | (2.4) |
| in general and administrative expenses | 0.0 | 0.0 | 0.0 | (0.6) |
| Total | (0.8) | (2.7) | (4.8) | (3.3) |
| Stock-based compensation | | | | |
| in sales and marketing expenses | (4.2) | (0.5) | (11.4) | (1.4) |
| in research and development expenses | (1.8) | (0.3) | (5.5) | (1.0) |
| in general and administrative expenses | (5.4) | (0.6) | (16.6) | (0.9) |
| Total | (11.4) | (1.4) | (33.5) | (3.3) |
| Non-GAAP Operating Expenses | 190.3 | 165.2 | 560.5 | 498.9 |
| GAAP Income from Operations | 29.5 | 30.1 | 60.9 | 86.5 |
| | 10% | 12% | 7% | 11% |
| Total amortization of intangibles and in-process R&D | 10.6 | 10.2 | 33.5 | 26.2 |
| Total stock based compensation | 12.9 | 1.6 | 37.8 | 3.9 |
| Non-GAAP Income from Operations | 53.0 | 41.9 | 132.2 | 116.6 |
| | 17% | 16% | 15% | 15% |
| GAAP Net Income | 19.6 | 19.6 | 39.8 | 57.7 |
| Total amortization of intangibles and in-process R&D | 10.6 | 10.2 | 33.5 | 26.2 |
| Total stock based compensation | 12.9 | 1.6 | 37.8 | 3.9 |
| Tax effect of the above adjustments | (4.6) | (3.6) | (12.4) | (8.1) |
| Non-GAAP Net Income | 38.5 | 27.8 | 98.7 | 79.7 |
| Basic net income per ordinary share and ADS | | | | |
| GAAP | \$ 0.21 | \$ 0.22 | \$ 0.43 | \$ 0.64 |
| Non-GAAP | \$ 0.41 | \$ 0.31 | \$ 1.06 | \$ 0.89 |
| Diluted net income per ordinary share and ADS | | | | |
| GAAP | \$ 0.21 | \$ 0.21 | \$ 0.42 | \$ 0.63 |
| Non-GAAP | \$ 0.41 | \$ 0.30 | \$ 1.04 | \$ 0.86 |

BUSINESS OBJECTS S.A.
Q3 FISCAL 2006 SUPPLEMENTAL INFORMATION
(in millions, except per ordinary share and ADS data)
(Unaudited)

| | Fiscal 2005 | | | | | Fiscal 2006 | | |
|--|-------------|----------|----------|----------|----------|-------------|----------|----------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 |
| SUPPLEMENTAL INCOME STATEMENT INFORMATION | | | | | | | | |
| Revenues | | | | | | | | |
| Net license fees | \$ 115.2 | \$ 124.9 | \$ 120.3 | \$ 155.3 | \$ 515.7 | \$ 125.9 | \$ 123.1 | \$ 131.6 |
| Maintenance | 100.1 | 100.7 | 103.5 | 107.8 | 412.1 | 108.6 | 123.5 | 128.5 |
| Consulting and training | 33.5 | 36.8 | 37.6 | 41.5 | 149.4 | 43.8 | 47.9 | 50.3 |
| Total revenues | 248.8 | 262.4 | 261.4 | 304.6 | 1,077.2 | 278.3 | 294.5 | 310.4 |
| Total expenses | | | | | | | | |
| Cost of net license fees | 1.7 | 1.9 | 2.0 | 2.0 | 7.6 | 2.0 | 2.9 | 3.3 |
| Cost of services | 48.9 | 50.3 | 52.3 | 55.0 | 206.5 | 56.9 | 61.6 | 63.8 |
| Sales and marketing | 103.2 | 104.3 | 102.8 | 121.6 | 431.9 | 113.6 | 119.0 | 116.9 |
| Research and development | 40.0 | 40.1 | 40.2 | 41.1 | 161.4 | 41.9 | 47.5 | 48.4 |
| General and administrative | 24.4 | 21.9 | 22.2 | 25.7 | 94.2 | 23.7 | 24.5 | 25.0 |
| Amortization of intangible assets (1) | 8.1 | 7.9 | 10.2 | 10.1 | 36.3 | 8.9 | 14.0 | 10.6 |
| Stock-based compensation (2) | 1.2 | 1.1 | 1.6 | 3.1 | 7.0 | 13.4 | 11.5 | 12.9 |
| Restructuring costs | (0.1) | - | - | 0.3 | 0.2 | - | - | - |
| Total expenses | 227.4 | 227.5 | 231.3 | 258.9 | 945.1 | 260.4 | 281.0 | 280.9 |
| Income from operations | | | | | | | | |
| Interest and other income, net | 4.4 | 3.2 | 2.9 | 3.9 | 14.4 | 2.9 | 3.0 | 4.7 |
| Income before provision for income taxes | 25.8 | 38.1 | 33.0 | 49.6 | 146.5 | 20.8 | 16.5 | 34.2 |
| Provision for income taxes | (10.8) | (15.0) | (13.4) | (14.7) | (53.9) | (8.5) | (8.6) | (14.6) |
| Effective tax rate | 42% | 39% | 41% | 30% | 37% | 41% | 52% | 43% |
| Net income | | | | | | | | |
| | 15.0 | 23.1 | 19.6 | 34.9 | 92.6 | 12.3 | 7.9 | 19.6 |
| Net income per ordinary share and ADS | | | | | | | | |
| Basic | 0.17 | 0.26 | 0.22 | 0.38 | 1.02 | 0.13 | 0.09 | 0.21 |
| Diluted | 0.16 | 0.25 | 0.21 | 0.37 | 1.00 | 0.13 | 0.08 | 0.21 |
| Ordinary shares and ADSs used in computing net income per share (000's) | | | | | | | | |
| Basic | 89,424 | 90,030 | 90,552 | 91,588 | 90,405 | 92,552 | 93,310 | 93,685 |
| Diluted | 91,184 | 92,089 | 93,455 | 95,086 | 93,036 | 95,333 | 95,083 | 94,976 |
| Amortization of intangible assets | | | | | | | | |
| Cost of net license fees | 5.5 | 5.3 | 5.2 | 6.1 | 22.1 | 6.0 | 7.4 | 7.5 |
| Cost of services | 2.3 | 2.3 | 2.3 | 2.5 | 9.4 | 2.5 | 2.9 | 2.3 |
| Sales and marketing | - | - | 0.3 | 0.3 | 0.6 | 0.4 | 0.4 | 0.4 |
| Research and development (1) | - | - | 2.4 | 1.2 | 3.6 | - | 3.3 | 0.4 |
| General and administrative | 0.3 | 0.3 | - | - | 0.6 | - | - | - |
| Total | 8.1 | 7.9 | 10.2 | 10.1 | 36.3 | 8.9 | 14.0 | 10.6 |
| Stock-based compensation (2) | | | | | | | | |
| Cost of services | 0.2 | 0.2 | 0.2 | 0.2 | 0.8 | 1.4 | 1.5 | 1.5 |
| Sales and marketing | 0.5 | 0.5 | 0.5 | 0.4 | 1.9 | 3.5 | 3.7 | 4.2 |
| Research and development | 0.3 | 0.3 | 0.3 | 0.3 | 1.2 | 1.8 | 1.8 | 1.8 |
| General and administrative | 0.2 | 0.1 | 0.6 | 2.2 | 3.1 | 6.7 | 4.5 | 5.4 |
| Total | 1.2 | 1.1 | 1.6 | 3.1 | 7.0 | 13.4 | 11.5 | 12.9 |
| Non-GAAP income from operations (3) | | | | | | | | |
| | 30.6 | 43.9 | 41.9 | 59.2 | 175.6 | 40.2 | 39.0 | 53.0 |
| % of total revenues | 12% | 17% | 16% | 19% | 16% | 14% | 13% | 17% |
| Interest and other income, net | 4.4 | 3.2 | 2.9 | 3.9 | 14.4 | 2.9 | 3.0 | 4.7 |
| Income before provision for income taxes | 35.0 | 47.1 | 44.8 | 63.1 | 190.0 | 43.1 | 42.0 | 57.7 |
| Provision for income taxes | (12.9) | (17.4) | (17.0) | (22.7) | (70.0) | (12.0) | (12.9) | (19.2) |
| Effective tax rate | 37% | 37% | 38% | 36% | 37% | 28% | 31% | 33% |
| Non-GAAP net income | | | | | | | | |
| | 22.1 | 29.7 | 27.8 | 40.4 | 120.0 | 31.1 | 29.1 | 38.5 |
| % of total revenues | 9% | 11% | 11% | 13% | 11% | 11% | 10% | 12% |
| Non-GAAP net income per ordinary share and ADS | | | | | | | | |
| Basic | 0.25 | 0.33 | 0.31 | 0.44 | 1.33 | 0.34 | 0.31 | 0.41 |
| Diluted | 0.24 | 0.32 | 0.30 | 0.42 | 1.29 | 0.33 | 0.31 | 0.41 |

(1) Includes acquired in-process research and development related to acquisitions

(2) In fiscal 2005, represents stock-based compensation expense recorded in accordance with APB 25. In fiscal 2006, represents stock-based compensation expense recorded in accordance with FAS 123R.

(3) Non-GAAP measures are reconciled from US GAAP figures. Non-GAAP measures exclude in-process research and development, amortization of intangible assets, stock-based compensation expense, and restructuring costs.

BUSINESS OBJECTS S.A.
Q3 FISCAL 2006 SUPPLEMENTAL INFORMATION
(in millions, except for number of transactions, DSO and headcount information)
(Unaudited)

| | Fiscal 2005 | | | | | Fiscal 2006 | | |
|---|-------------|----------|----------|----------|------------|-------------|----------|----------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 |
| REVENUE ANALYSIS | | | | | | | | |
| Total revenues by geography | | | | | | | | |
| Americas | \$ 118.1 | \$ 123.6 | \$ 137.6 | \$ 166.7 | 546.0 | \$ 146.9 | \$ 167.7 | \$ 175.1 |
| EMEA | 111.2 | 116.5 | 104.9 | 117.7 | 450.3 | 112.3 | 106.8 | 112.7 |
| Asia Pacific, including Japan | 19.5 | 22.3 | 18.9 | 20.2 | 80.9 | 19.1 | 20.0 | 22.6 |
| Total | \$ 248.8 | \$ 262.4 | \$ 261.4 | \$ 304.6 | \$ 1,077.2 | \$ 278.3 | \$ 294.5 | \$ 310.4 |
| Analysis of currency impact (year-over-year) | | | | | | | | |
| Reported revenue growth rate | 15% | 18% | 19% | 14% | 16% | 12% | 12% | 19% |
| Constant currency growth rate | 11% | 15% | 18% | 19% | 16% | 17% | 12% | 16% |
| Impact of foreign currency on growth rate | 3% | 3% | 1% | -5% | 1% | -5% | 0% | 3% |

| | Fiscal 2005 | | | | | Fiscal 2006 | | |
|---------------------------------------|-------------|------|------|------|-------|-------------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 |
| LICENSE REVENUE ANALYSIS | | | | | | | | |
| License revenues by channel | | | | | | | | |
| Direct | 47% | 49% | 48% | 59% | 51% | 54% | 48% | 52% |
| Indirect | 53% | 51% | 52% | 41% | 49% | 46% | 52% | 48% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Number of transactions by size | | | | | | | | |
| Over \$1 million | 9 | 13 | 10 | 14 | 46 | 9 | 4 | 9 |
| \$200 thousand to \$999 thousand | 101 | 96 | 121 | 147 | 465 | 104 | 113 | 107 |

| | Fiscal 2005 | | | | Fiscal 2006 | | |
|--|-------------|--------|--------|--------|-------------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| SELECTED BALANCE SHEET ITEMS | | | | | | | |
| Cash and cash equivalents, restricted cash, and short-term investments | \$ 392 | \$ 384 | \$ 369 | \$ 380 | \$ 474 | \$ 532 | \$ 548 |
| DSO (Days sales outstanding) | 66 | 72 | 69 | 79 | 80 | 73 | 73 |
| HEADCOUNT | | | | | | | |
| Total headcount | 3,944 | 4,039 | 4,320 | 4,418 | 4,484 | 4,977 | 5,141 |