

Second Quarter 2006

Earnings Conference Call
July 26, 2006



Safe Harbor: Forward Looking Statements

We wish to caution you that such statements are just predictions based on management's current expectations or beliefs, and that actual events or results may differ materially. We refer you to documents we file with the Securities and Exchange Commission, including form 10-K for the year ended December 31, 2005 and form 10-Q for the quarter ended March 31, 2006. These documents identify important risk factors that could cause actual results to differ materially from those contained in our forward-looking statements. These potential risks and uncertainties include, but are not limited to, fluctuations in our quarterly and yearly operating results; our ability to sustain or increase our profitability; our ability to attract and retain customers, including for BusinessObjects XI Release 2; our ability to successfully integrate the companies we acquire; changes to our current accounting policies; our ability to preserve our key strategic relationships; and our reliance upon selling products only in the Business Intelligence software market. We assume no duty to confirm, update or revise the financial forecast for the year, or any other forward looking information in this call as a result of new developments or otherwise.

Use of Non-GAAP Financial Measures

Today we will be discussing our results on a US GAAP as well as a non-GAAP basis. These non-GAAP results, also sometimes called pro forma results, exclude write-off of in process research and development charges, amortization of purchase intangibles and stock based compensation expense.

We use these additional non-GAAP measures as we believe they give useful operating information in addition to the US GAAP results. A reconciliation of US GAAP to non-GAAP financial statements is available in our press release and in our investor relations web page.

Financial Results

Jim Tolonen, CFO

Second Quarter 2006 Highlights



- ▶ Total revenue growth driven by strength in maintenance and services
- ▶ Total license revenue down slightly, with strength in:
 - Enterprise Performance Management (up 69%)
 - Enterprise Information Management (up 78%)
 - BusinessObjects XI (up 51%)
- ▶ Success in Americas division validates go-to-market strategy
- ▶ Balance sheet is strong with \$475 million in cash and investments

Note: Foreign exchange rates did not have a material impact on year-over-year comparison results.

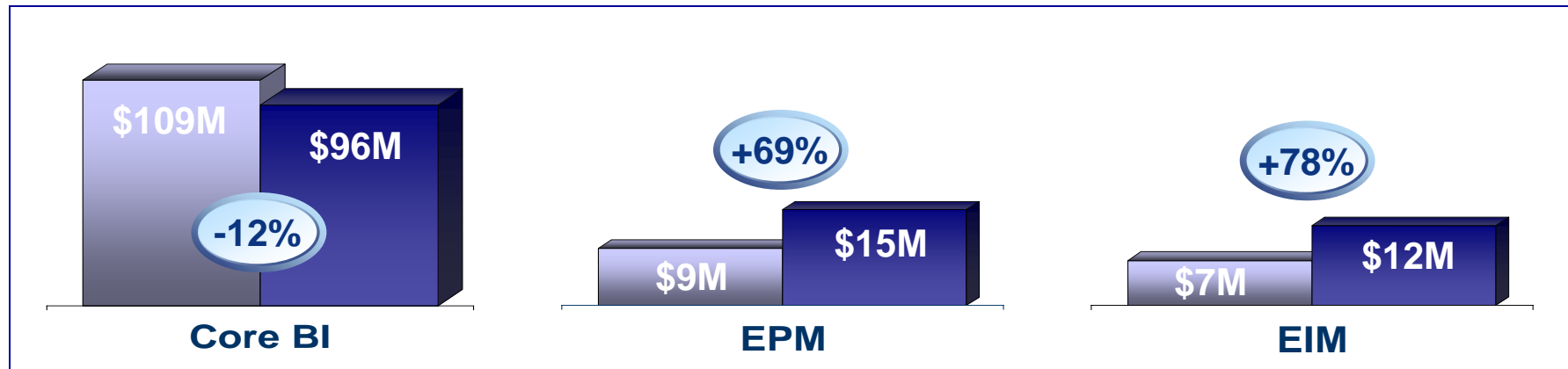
Second Quarter 2006 Financial Results

	Actual Results (July 26, 2006)		Preliminary Results (July 6, 2006)		Guidance (April 26, 2006)	
	US GAAP	Non- GAAP	US GAAP	Non- GAAP	US GAAP	Non- GAAP
Total Revenues	\$294	\$294	\$287 to \$291		\$295 to \$300	
License Revenues	\$123	\$123	\$116 to \$118			
Services Revenues	\$171	\$171	\$171 to \$173			
Net Income	\$8	\$29				
Diluted EPS	\$0.08	\$0.31	\$0.05 to \$0.08	\$0.25 to \$0.28	\$0.10 to \$0.13	\$0.30 to \$0.33
Tax Rate	52%	31%	40%	30%	40%	30%

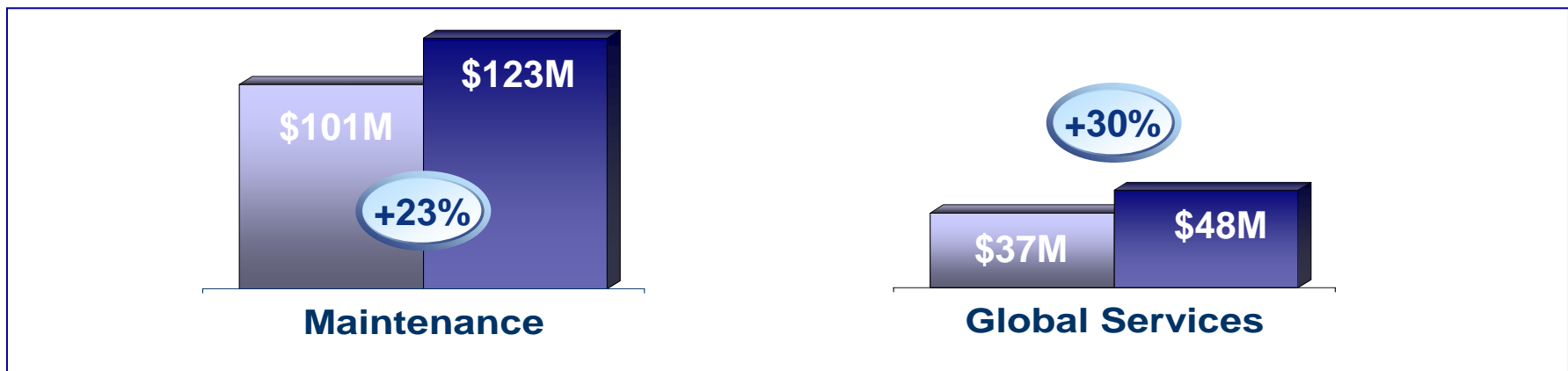
Note: Figures above are in \$ USD Millions except for Diluted EPS and Tax Rate

Second Quarter 2006 Revenue Analysis

License Revenues



Services Revenues



■ Q2 2005 ■ Q2 2006

Note: Foreign exchange rates did not have a material impact on growth rates this quarter.

Second Quarter 2006 Expense Analysis

	US GAAP	% of Revenues	Non-GAAP	% of Revenues
Sales & Marketing	\$123M	42%	\$119M	40%
Research & Development	\$53M	18%	\$48M	16%
General & Administrative	\$29M	10%	\$25M	8%
Total Operating Expenses	\$205M	70%	\$191M	64%
Operating Income	\$13M	5%	\$39M	13%

- ▶ **US GAAP numbers include stock-based compensation expense as required under FAS 123(R) and amortization of acquired intangible assets.**
- ▶ **Second quarter numbers include the addition of Firstlogic (closed April 1, 2006)**
- ▶ **Dilutive impact of Firstlogic was approximately 2 percentage points of operating margin**
- ▶ **Headcount at end of Q2 was 4,977**
- ▶ **Continuing to drive operational efficiency measures**

Strong Balance Sheet

As of June 30, 2006

Total Cash and Investments	\$475M
Deferred Revenues	\$274M
Total Assets	\$2.3B
DSO	73 days

- ▶ **Total cash and investments up \$44 million, or 10% from March 31, 2006, after \$66 million acquisition of Firstlogic, Inc.**
- ▶ **Good collections drove DSO lower**
- ▶ **Deferred revenue hit a new all-time high, up 7% sequentially from Q1 2006 and up 32% year-over-year**

Third Quarter 2006 Financial Guidance

Q3 2006 Guidance

Total Revenue range	\$293M – \$298M
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US GAAP Diluted EPS range	\$0.15 – \$0.18
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Non-GAAP Diluted EPS range	\$0.32 – \$0.35
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Assumptions

- Non-GAAP diluted EPS guidance excludes amortization of intangible assets and stock-based compensation expense totaling approximately \$0.17 per share, net of tax
- Q3 2006 guidance assumes a U.S. Dollar to Euro exchange rate of \$1.26 per €1.00 & U.S. Dollar to Canadian dollar exchange rate of \$0.88
- US GAAP tax rate of 41% and a pro forma tax rate of 31% for the third quarter of 2006

Fiscal Year 2006 Financial Guidance

FY 2006 Guidance

Total Revenue range	\$1.2B – \$1.215B
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US GAAP Diluted EPS range	\$0.72 – \$0.80
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Non-GAAP Diluted EPS range	\$1.47 – \$1.55
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Assumptions

- Non-GAAP diluted EPS guidance excludes amortization of intangible assets and stock-based compensation expense totaling approximately \$0.75 per share, net of tax
- Q3 2006 guidance assumes a U.S. Dollar to Euro exchange rate of \$1.26 per €1.00 & U.S. Dollar to Canadian dollar exchange rate of \$0.88
- US GAAP tax rate of 41% and a pro forma tax rate of 31% for the full year of 2006



Strategic Outlook

John Schwarz, CEO

Outlook for Business Intelligence is Attractive

Growing to \$23 billion over the next 5 years

2004

2009

Enterprise Performance Management
\$4.2 → \$7.0 billion

Core Business Intelligence
\$4.8 → \$7.7 billion

Enterprise Information Management
\$5.5 → \$8.5 billion

Reflects license and first year maintenance
Derived from: IDC 2005

Improving Execution

Focused on four key initiatives:

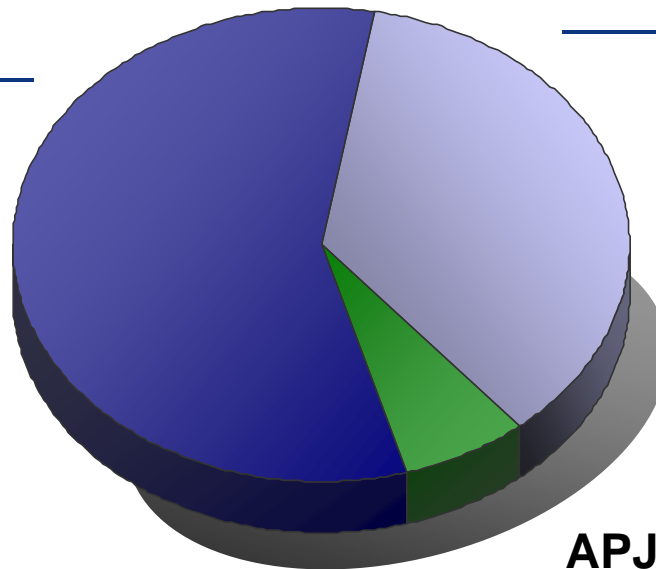
- ▶ **Offering new customer programs to accelerate migration plans and drive new licenses and services**
- ▶ **Adding targeted marketing programs to increase demand in the mid-market**
- ▶ **Established a global team to focus exclusively on BusinessObjects XI migrations**
- ▶ **Implementing more conservative forecasting processes**

Geographic Review

Q2 2006 Revenue Results

Americas: \$168M

57% of total revenue
+36% year-over-year
+14% sequentially



EMEA: \$107M

36% of total revenue
-8% year-over-year
-5% sequentially

APJ: \$20M

7% of total revenue
-10% year-over-year
+5% sequentially

Alliances Continue to Play a Key Role

- ▶ Continue to build on our already strong solutions and our leading distribution capability
- ▶ The indirect channel accounted for approximately 52% of our license revenue
- ▶ In Q2, global OEM business Grew 7%, year-over-year



Key Growth Drivers

XI Revenue

+51% Y/Y

Core BI

-12% Y/Y

Q206

+69% Y/Y

Q206

+78% Y/Y

**Launched
Crystal Vision**

Q206

+30% Y/Y

Core BI

**Enterprise
Performance Management**

**Enterprise
Information Management**

Mid - Market

Global Services

Conclusion

- ▶ **Business Intelligence market is healthy and growing**
- ▶ **Business Objects is well positioned to capitalize on this trend**
 - Complete end-to-end BI solution
 - Most extensive channel network
 - Solid customer service and support
 - Growing global services
 - Strengthening worldwide leadership
- ▶ **We have a solid strategy for long-term growth**

Questions & Answers

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