

Riverbed Technology, Inc.
GAAP to Non-GAAP Reconciliation
In thousands, except per share amounts
Unaudited

GAAP to Non-GAAP Reconciliations:

	Three months ended			Twelve months ended	
	Dec. 31, 2008	Sep. 30, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Reconciliation of Product Gross Profit:					
U.S. GAAP as reported	\$ 52,069	\$ 48,585	\$ 49,272	\$ 192,490	\$ 145,554
Adjustments:					
Stock-based compensation (1)	49	54	33	182	101
As Adjusted	<u>\$ 52,118</u>	<u>\$ 48,639</u>	<u>\$ 49,305</u>	<u>\$ 192,672</u>	<u>\$ 145,655</u>
Reconciliation of Product Gross Margin:					
U.S. GAAP as reported	77.3%	74.5%	77.9%	76.1%	74.0%
Adjustments:					
Stock-based compensation (1)	0.1%	0.1%	0.1%	0.1%	0.1%
As Adjusted	<u>77.4%</u>	<u>74.6%</u>	<u>77.9%</u>	<u>76.2%</u>	<u>74.1%</u>
Reconciliation of Support and Service Gross Profit:					
U.S. GAAP as reported	\$ 16,849	\$ 14,135	\$ 8,166	\$ 52,245	\$ 24,928
Adjustments:					
Stock-based compensation (1)	1,019	1,125	778	4,487	2,576
Payroll taxes on option exercises (2)	1	1	1	6	2
As Adjusted	<u>\$ 17,869</u>	<u>\$ 15,261</u>	<u>\$ 8,945</u>	<u>\$ 56,738</u>	<u>\$ 27,506</u>
Reconciliation of Support and Service Gross Margin:					
U.S. GAAP as reported	67.7%	66.3%	62.7%	65.0%	62.7%
Adjustments:					
Stock-based compensation (1)	4.1%	5.3%	6.0%	5.6%	6.5%
As Adjusted	<u>71.8%</u>	<u>71.6%</u>	<u>68.7%</u>	<u>70.5%</u>	<u>69.1%</u>
Reconciliation of Gross Profit:					
U.S. GAAP as reported	\$ 68,918	\$ 62,720	\$ 57,438	\$ 244,735	\$ 170,482
Adjustments:					
Stock-based compensation (1)	1,068	1,179	811	4,669	2,677
Payroll taxes on option exercises (2)	1	1	1	6	2
As Adjusted	<u>\$ 69,987</u>	<u>\$ 63,900</u>	<u>\$ 58,250</u>	<u>\$ 249,410</u>	<u>\$ 173,161</u>
Reconciliation of Gross Margin:					
U.S. GAAP as reported	74.7%	72.5%	75.3%	73.4%	72.1%
Adjustments:					
Stock-based compensation (1)	1.2%	1.4%	1.0%	1.4%	1.1%
As Adjusted	<u>75.9%</u>	<u>73.9%</u>	<u>76.2%</u>	<u>74.8%</u>	<u>73.2%</u>
Reconciliation of Sales and Marketing Expenses:					
U.S. GAAP as reported	\$ 39,661	\$ 34,855	\$ 32,617	\$ 140,653	\$ 95,652
Adjustments:					
Stock-based compensation (1)	(5,714)	(5,921)	(4,419)	(23,583)	(15,160)
Payroll taxes on option exercises (2)	(7)	(10)	(145)	(49)	(456)
As Adjusted	<u>\$ 33,940</u>	<u>\$ 28,924</u>	<u>\$ 28,053</u>	<u>\$ 117,021</u>	<u>\$ 80,036</u>
Percent of total revenue	36.8%	33.4%	36.8%	35.1%	33.9%
Reconciliation of Research and Development Expenses:					
U.S. GAAP as reported	\$ 15,380	\$ 14,582	\$ 12,312	\$ 58,658	\$ 39,696
Adjustments:					
Stock-based compensation (1)	(3,124)	(3,419)	(2,635)	(13,003)	(8,593)
Payroll taxes on option exercises (2)	(5)	(12)	(35)	(77)	(221)
As Adjusted	<u>\$ 12,251</u>	<u>\$ 11,151</u>	<u>\$ 9,642</u>	<u>\$ 45,578</u>	<u>\$ 30,882</u>
Percent of total revenue	13.3%	12.9%	12.6%	13.7%	13.1%
Reconciliation of General and Administrative Expenses:					
U.S. GAAP as reported	\$ 8,744	\$ 10,419	\$ 8,020	\$ 38,669	\$ 24,834
Adjustments:					
Stock-based compensation (1)	(2,345)	(2,512)	(1,757)	(9,153)	(5,371)
Payroll taxes on option exercises (2)	(18)	(22)	(14)	(49)	(111)
As Adjusted	<u>\$ 6,381</u>	<u>\$ 7,885</u>	<u>\$ 6,249</u>	<u>\$ 29,467</u>	<u>\$ 19,352</u>
Percent of total revenue	6.9%	9.1%	8.2%	8.8%	8.2%

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Reconciliation of Operating Expenses:					
U.S. GAAP as reported	\$ 63,785	\$ 70,856	\$ 52,949	\$ 248,980	\$ 160,182
Adjustments:					
Stock-based compensation (1)	(11,183)	(11,852)	(8,811)	(45,739)	(29,124)
Payroll taxes on option exercises (2)	(30)	(44)	(194)	(175)	(788)
Litigation settlement (3)	-	(11,000)	-	(11,000)	-
As Adjusted	<u>\$ 52,572</u>	<u>\$ 47,960</u>	<u>\$ 43,944</u>	<u>\$ 192,066</u>	<u>\$ 130,270</u>
Percent of total revenue	57.0%	55.4%	57.6%	57.6%	55.1%
Reconciliation of Operating Profit (Loss):					
U.S. GAAP as reported	\$ 5,133	\$ (8,136)	\$ 4,489	\$ (4,245)	\$ 10,300
Adjustments:					
Stock-based compensation (1)	12,251	13,031	9,622	50,408	31,801
Payroll taxes on option exercises (2)	31	45	195	181	790
Litigation settlement (3)	-	11,000	-	11,000	-
As Adjusted	<u>\$ 17,415</u>	<u>\$ 15,940</u>	<u>\$ 14,306</u>	<u>\$ 57,344</u>	<u>\$ 42,891</u>
Reconciliation of Operating Margin:					
U.S. GAAP as reported	5.6%	-9.4%	5.9%	-1.3%	4.4%
Adjustments:					
Stock-based compensation (1)	13.3%	15.1%	12.6%	15.1%	13.5%
Payroll taxes on option exercises (2)	0.0%	0.1%	0.3%	0.1%	0.3%
Litigation settlement (3)	0.0%	12.7%	0.0%	3.3%	0.0%
As Adjusted	<u>18.9%</u>	<u>18.5%</u>	<u>18.7%</u>	<u>17.2%</u>	<u>18.1%</u>
Reconciliation of Net Cash provided by Operating Activities:					
U.S. GAAP as reported	\$ 9,047	\$ 62,399	\$ 13,043	\$ 71,446	\$ 48,168
Adjustments:					
Litigation settlement (3)	11,000	11,000	-	11,000	-
As Adjusted	<u>\$ 20,047</u>	<u>\$ 73,399</u>	<u>\$ 13,043</u>	<u>\$ 82,446</u>	<u>\$ 48,168</u>
Reconciliation of Net Income (Loss):					
U.S. GAAP as reported	\$ 23,255	\$ (12,423)	\$ 4,827	\$ 10,601	\$ 14,798
Adjustments:					
Stock-based compensation (1)	12,251	13,031	9,622	50,408	31,801
Payroll taxes on option exercises (2)	31	45	195	181	790
Litigation settlement (3)	-	11,000	-	11,000	-
Income tax adjustments (4)	(21,894)	(662)	-	(29,732)	-
As Adjusted	<u>\$ 13,643</u>	<u>\$ 10,991</u>	<u>\$ 14,644</u>	<u>\$ 42,458</u>	<u>\$ 47,389</u>
Reconciliation of Net Income (Loss) per share, diluted:					
U.S. GAAP as reported	\$ 0.33	\$ (0.17)	\$ 0.07	\$ 0.14	\$ 0.20
Adjustments:					
Stock-based compensation (1)	0.16	0.18	0.13	0.68	0.44
Payroll taxes on option exercises (2)	0.00	0.00	0.00	0.00	0.01
Litigation settlement (3)	-	0.15	-	0.15	-
Income tax adjustments (4)	(0.30)	(0.01)	-	(0.40)	-
As Adjusted	<u>\$ 0.19</u>	<u>\$ 0.15</u>	<u>\$ 0.20</u>	<u>\$ 0.57</u>	<u>\$ 0.65</u>
Non-GAAP adjustments:					
Cost of product	\$ 49	\$ 54	\$ 33	\$ 182	\$ 101
Cost of support and services	1,020	1,126	779	4,493	2,578
Sales and marketing	5,721	5,931	4,564	23,632	15,616
Research and development	3,129	3,431	2,670	13,080	8,814
General and administrative	2,363	2,534	1,771	9,202	5,482
Other charges	-	11,000	-	11,000	-
Provision (benefit) for income taxes	(21,894)	(662)	-	(29,732)	-
Total Non-GAAP Adjustments	<u>\$ (9,612)</u>	<u>\$ 23,414</u>	<u>\$ 9,817</u>	<u>\$ 31,857</u>	<u>\$ 32,591</u>

- (1) Stock-based compensation expense is calculated in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (R) effective January 1, 2006.
- (2) Payroll tax on stock option exercises represents the incremental cost for employer payroll taxes on stock option exercises.
- (3) Other charges represent the Q3 2008 litigation settlement with Quantum Corporation with payment in Q4 2008
- (4) The non-GAAP tax rate excludes the effect of stock-based compensation expense as well as discrete tax benefits on stock option exercises. Additionally, the non-GAAP tax rate does not assume a full valuation allowance on our deferred tax assets.