

Analysis of the  
Unaudited Statement of Operations 30 September 2005  
Blackboard, Inc.

|  | Three Months ending<br>September 30 |        | Nine Months ending<br>September 30 |        |
|--|-------------------------------------|--------|------------------------------------|--------|
|  | 2004                                | 2005   | 2004                               | 2005   |
| Revenue  |                                     |        |                                    |        |
| Product  | 25,468                              | 31,301 | 71,416                             | 88,341 |
| Professional services                                      | 4,308                               | 4,626  | 9,934                              | 11,577 |
| Total  | 29,776                              | 35,927 | 81,350                             | 99,918 |
| Operating Expenses   |                                     |        |                                    |        |
| Product  | 6,813                               | 7,507  | 18,830                             | 21,818 |
| Professional services                                      | 2,378                               | 2,733  | 6,004                              | 7,499  |
| Research and development                                   | 3,537                               | 3,657  | 10,427                             | 10,162 |
| Sales and marketing  | 9,074                               | 10,323 | 26,932                             | 28,269 |
| General Administrative                                     | 3,957                               | 5,013  | 10,742                             | 14,409 |
| Amortization of intangibles<br>resulting from acquisitions | 879                                 | 66     | 2,638                              | 200    |
| Stock-based compensation                                   | 44                                  | 19     | 155                                | 55     |
|  | 26,682                              | 29,318 | 75,728                             | 82,412 |
| Product  | 6,813                               | 7,507  | 18,830                             | 21,818 |
| Research and development                                   | 3,537                               | 3,657  | 10,427                             | 10,162 |
| Amortization of intangibles                                | 879                                 | 66     | 2,638                              | 200    |
| Sales and marketing  | 9,074                               | 10,323 | 26,932                             | 28,269 |
| Allocated expenses   | 3,422                               | 4,384  | 9,566                              | 12,788 |
| Total  | 23,725                              | 25,937 | 68,393                             | 73,237 |
| Professional Services                                      | 2,378                               | 2,733  | 6,004                              | 7,499  |
| Allocated expenses   | 579                                 | 648    | 1,331                              | 1,676  |
| Total  | 2,957                               | 3,381  | 7,335                              | 9,175  |
| Allocated expenses   | 4,001                               | 5,032  | 10,897                             | 14,464 |
| Profit   | 3,094                               | 6,609  | 5,622                              | 17,506 |
| Profit margin  | 10%                                 | 18%    | 7%                                 | 18%    |
| Product Profit   | 1,743                               | 5,364  | 3,023                              | 15,104 |
| Product Gross Margin                                       | 73%                                 | 76%    | 74%                                | 75%    |
| Product Profit Margin                                      | 7%                                  | 17%    | 4%                                 | 17%    |
| Services Profit  | 1,351                               | 1,245  | 2,599                              | 2,402  |
| Services Profit Margin                                     | 31%                                 | 27%    | 26%                                | 21%    |

## Notes

1. This analysis is based on the September 30, 2005 Unaudited Consolidated Statement of Operations.
2. This statement does not include financial results of the acquisition of WebCT Inc. Blackboard expects a closing “late 2005 or early 2006.”
3. The analysis assumes that all research and development is incurred for Blackboard products and none for professional services. The amortization of intangibles is similarly attributed to product expenses since the acquisition included software products. This analysis also assumes the “annuities” of the acquired customers contributed to product lease revenue; any acquired professional services contracts would now be insignificant.
4. The analysis assumes that all sales and marketing expenses are incurred for product marketing. Although there is some marketing value for professional services, it is likely professional services generates at least as much product revenue as any sales and marketing expenses that could be directly attributed to professional services.
5. At the October 12, 2005 WebCT Transaction Blackboard reported a gross margin of 70% for Fiscal 2004.