

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	March 28, 2008	March 30, 2007
Revenues:		
Revenues before reimbursements	\$ 39,268	\$ 36,161
Reimbursements	4,570	3,716
Total revenues	<u>43,838</u>	<u>39,877</u>
Costs and expenses:		
Cost of service:		
Personnel costs before reimbursable expenses (includes \$397 and \$411 of stock compensation expense in the quarters ended March 28, 2008 and March 30, 2007, respectively) (2)	22,963	22,558
Reimbursable expenses	4,570	3,716
Total cost of service	<u>27,533</u>	<u>26,274</u>
Selling, general and administrative costs (includes \$548 and \$597 of stock compensation expense in the quarters ended March 28, 2008 and March 30, 2007, respectively) (2)	12,582	16,462
Collections from misappropriation	-	(350)
Total costs and operating expenses	<u>40,115</u>	<u>42,386</u>
Income (loss) from operations	3,723	(2,509)
Other income (expense):		
Interest income	167	240
Interest expense	-	(2)
Income (loss) before income taxes	<u>3,890</u>	<u>(2,271)</u>
Income tax expense	107	67
Net income (loss)	<u>\$ 3,783</u>	<u>\$ (2,338)</u>
Basic net income (loss) per common share:		
Net income (loss) per common share	\$ 0.09	\$ (0.05)
Weighted average common shares outstanding	42,755	44,778
Diluted net income (loss) per common share (1):		
Net income (loss) per common share	\$ 0.09	\$ (0.05)
Weighted average common and common equivalent shares outstanding	43,353	44,778
Pro forma data (3):		
Income (loss) before income taxes	\$ 3,890	\$ (2,271)
Stock compensation expense	945	1,008
Amortization of intangible assets	197	364
Professional fees related to the misappropriation	-	183
Collections from misappropriation	-	(350)
Pro forma income (loss) before income taxes	<u>5,032</u>	<u>(1,066)</u>
Pro forma income tax expense (benefit)	<u>2,013</u>	<u>(427)</u>
Pro forma net income (loss)	<u>\$ 3,019</u>	<u>\$ (639)</u>
Pro forma basic net income (loss) per common share	\$ 0.07	\$ (0.01)
Weighted average common shares outstanding	42,755	44,778
Pro forma diluted net income (loss) per common share	\$ 0.07	\$ (0.01)
Weighted average common and common equivalent shares outstanding	43,353	44,778

- (1) Potentially diluted shares were excluded from the diluted loss per share calculations for the quarter ended March 30, 2007 as their effects would have been anti-dilutive to the loss incurred by the Company.
- (2) Certain items in the quarter ended March 30, 2007 have been reclassified to conform with the March 28, 2008 presentation. As a result, SGA for the second quarter, third quarter and fourth quarters of 2007 have been recast to \$15,224, \$14,978 and \$14,081, respectively. In addition, personnel costs before reimbursable expenses for the second quarter, third quarter and fourth quarters of 2007 have been recast to \$23,886, \$23,363 and \$22,047, respectively.
- (3) The Company provides pro forma earnings results (which exclude amortization of intangible assets, stock compensation expense, collections and professional fees related to the misappropriation and include a normalized tax rate) as a complement to results provided in accordance with Generally Accepted Accounting Principles. These non-GAAP results are provided to enhance the users' overall understanding of the Company's current financial performance and its prospects for the future. The Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses that it believes are not indicative of its core operating results. The non-GAAP measures are included to provide investors and management with an alternative method for assessing operating results in a manner that is focused on the performance of ongoing operations and to provide a more consistent basis for comparison between quarters. Further, these non-GAAP results are one of the primary indicators management uses for planning and forecasting in future periods. In addition, since the Company has historically reported non-GAAP results to the investment community, it believes the inclusion of non-GAAP numbers provides consistency in its financial reporting. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States of America.

The Hackett Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 28, 2008	December 28, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,188	\$ 20,061
Marketable investments	4,546	7,032
Accounts receivable and unbilled revenue, net	31,265	29,735
Prepaid expenses and other current assets	3,988	1,586
Total current assets	<u>59,987</u>	<u>58,414</u>
Restricted cash	600	600
Property and equipment, net	5,677	5,709
Other assets	2,248	2,434
Goodwill, net	68,474	68,302
Total assets	<u>\$ 136,986</u>	<u>\$ 135,459</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,704	\$ 3,970
Accrued expenses and other liabilities	30,988	29,047
Total current liabilities	<u>36,692</u>	<u>33,017</u>
Accrued expenses and other liabilities, non-current	3,339	3,623
Total liabilities	<u>40,031</u>	<u>36,640</u>
Shareholders' equity	<u>96,955</u>	<u>98,819</u>
Total liabilities and shareholders' equity	<u>\$ 136,986</u>	<u>\$ 135,459</u>

The Hackett Group, Inc.
Supplemental Financial Data
(unaudited)

	Quarter Ended		
	March 28, 2008	December 28, 2007	March 30, 2007
Revenue Breakdown by Group: (in thousands)			
The Hackett Group:			
Benchmarking and Business Transformation (5)	\$ 25,969	\$ 26,022	\$ 19,303
Executive Advisory Programs (6)	4,012	3,893	3,613
Total The Hackett Group	29,981	29,915	22,916
Hackett Technology Solutions (7)	13,857	14,975	16,961
Total Revenues	\$ 43,838	\$ 44,890	\$ 39,877

Revenue Concentration:
(% of total revenues)

Top customer	7%	5%	3%
Top 5 customers	20%	17%	13%
Top 10 customers	29%	28%	23%

Key Metrics and Other Financial Data:

The Hackett Group annualized revenue per professional (in thousands)	\$ 415	\$ 411	\$ 345
Executive Advisory Programs - Annualized Contract Value (in thousands) (4) (8)	\$ 15,148	\$ 16,031	\$ 14,310
Hackett Technology Solutions consultant utilization rate	66%	62%	63%
Hackett Technology Solutions gross billing rate per hour	\$ 160	\$ 161	\$ 171
Consultant headcount	536	552	563
Total headcount	723	739	770
Days sales outstanding (DSO)	66	60	71
Cash provided by operating activities (in thousands)	\$ 4,733	\$ 8,320	\$ 4,209
Depreciation (in thousands)	\$ 510	\$ 508	\$ 536
Amortization (in thousands)	\$ 197	\$ 296	\$ 364

Share Repurchase Program:

Shares purchased in the quarter (in thousands)	1,783	1,029	-
Cost of shares repurchased in the quarter (in thousands)	\$ 6,793	\$ 4,208	\$ -
Average price per share of shares purchased in the quarter	\$ 3.81	\$ 4.09	\$ -
Remaining authorization (in thousands)	\$ 4,266	\$ 6,060	\$ 6,133

- (4) We define "Annualized Contract Value" as of the beginning of the following quarter as the aggregate annualized revenue attributed to all agreements in effect on such date, without regard to the remaining duration of any such agreement.
- (5) Comparison of a client's demand drivers, costs and practices to a peer group in order to empirically identify and define an organization's ability to improve performance at a process level and to identify and compare business practices utilized by world-class performers. Additionally, strategic consulting support that utilizes Hackett best practice implementation content and tools to enable clients to accelerate transformation to world-class performance.
- (6) Annual or multi-year contract that provides clients with on-demand access to world-class performance metrics, best practice repository, best practice research forums and conferences, and advice.
- (7) Best Practice Implementation of ERP Software, which is primarily Oracle and SAP, and business performance management solutions, which is primarily Hyperion.
- (8) Certain items in the quarter ended March 30, 2007 have been reclassified to conform with the March 28, 2008 presentation.