

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Twelve Months Ended	
	January 1, 2010	January 2, 2009	January 1, 2010	January 2, 2009
Revenue:				
Revenue before reimbursements	\$ 30,959	\$ 43,846	\$ 129,019	\$ 173,217
Reimbursements	3,606	4,909	13,681	18,884
Total revenue	<u>34,565</u>	<u>48,755</u>	<u>142,700</u>	<u>192,101</u>
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses (includes \$673 and \$324 and \$2,204 and \$1,234 of stock compensation expense in the quarters and twelve months ended January 1, 2010 and January 2, 2009, respectively)	22,329	24,034	84,407	96,844
Reimbursable expenses	3,606	4,909	13,681	18,884
Total cost of service	<u>25,935</u>	<u>28,943</u>	<u>98,088</u>	<u>115,728</u>
Selling, general and administrative costs (includes \$240 and \$646 and \$800 and \$2,824 of stock compensation expense in the quarters and twelve months ended January 1, 2010 and January 2, 2009, respectively)	12,110	14,206	46,215	58,474
Restructuring costs	5,437	-	5,437	-
Total costs and operating expenses	<u>43,482</u>	<u>43,149</u>	<u>149,740</u>	<u>174,202</u>
(Loss) income from operations	<u>(8,917)</u>	<u>5,606</u>	<u>(7,040)</u>	<u>17,899</u>
Other income (expense):				
Interest income	9	54	51	442
Loss on marketable investments	-	-	(35)	-
(Loss) income before income taxes	<u>(8,908)</u>	<u>5,660</u>	<u>(7,024)</u>	<u>18,341</u>
Income tax (benefit) expense	<u>(281)</u>	<u>212</u>	<u>(212)</u>	<u>465</u>
Net (loss) income	<u>\$ (8,627)</u>	<u>\$ 5,448</u>	<u>\$ (6,812)</u>	<u>\$ 17,876</u>
Basic net (loss) income per common share:				
Net (loss) income per common share	\$ (0.22)	\$ 0.14	\$ (0.18)	\$ 0.44
Weighted average common shares outstanding	38,973	38,936	38,240	40,471
Diluted net (loss) income per common share:				
Net (loss) income per common share	\$ (0.22)	\$ 0.14	\$ (0.18)	\$ 0.43
Weighted average common and common equivalent shares outstanding	38,973	39,786	38,240	41,498
Pro forma data (1):				
(Loss) income before income taxes	\$ (8,908)	\$ 5,660	\$ (7,024)	\$ 18,341
Acquisition-related costs	505	-	505	-
Stock compensation expense	913	970	3,004	4,058
Restructuring costs	5,437	-	5,437	-
Amortization of intangible assets	555	164	1,058	732
Pro forma (loss) income before income taxes	<u>(1,498)</u>	<u>6,794</u>	<u>2,980</u>	<u>23,131</u>
Pro forma income tax (benefit) expense	<u>(599)</u>	<u>2,718</u>	<u>1,192</u>	<u>9,252</u>
Pro forma net (loss) income	<u>\$ (899)</u>	<u>\$ 4,076</u>	<u>\$ 1,788</u>	<u>\$ 13,879</u>
Pro forma basic net (loss) income per common share	\$ (0.02)	\$ 0.10	\$ 0.05	\$ 0.34
Weighted average common shares outstanding	38,973	38,936	38,240	40,471
Pro forma diluted net (loss) income per common share	\$ (0.02)	\$ 0.10	\$ 0.05	\$ 0.33
Weighted average common and common equivalent shares outstanding	38,973	39,786	39,046	41,498

(1) The Company provides pro forma earnings results (which exclude acquisition-related costs, restructuring costs, amortization of intangible assets and stock compensation expense, and include a normalized tax rate) as a complement to results provided in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP results are provided to enhance the overall users' 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 continued inclusion of non-GAAP results 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 GAAP.

The Hackett Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	<u>January 1, 2010</u>	<u>January 2, 2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,004	\$ 32,060
Marketable investments	-	1,727
Accounts receivable and unbilled revenue, net	28,653	25,481
Prepaid expenses and other current assets	2,683	3,021
Total current assets	<u>46,340</u>	<u>62,289</u>
Restricted cash	1,475	600
Property and equipment, net	7,137	5,767
Other assets	4,871	1,392
Goodwill, net	76,712	63,616
Total assets	<u>\$ 136,535</u>	<u>\$ 133,664</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,674	\$ 3,711
Accrued expenses and other liabilities	31,231	34,277
Total current liabilities	<u>34,905</u>	<u>37,988</u>
Accrued expenses and other liabilities, non-current	3,378	1,759
Total liabilities	<u>38,283</u>	<u>39,747</u>
Shareholders' equity	<u>98,252</u>	<u>93,917</u>
Total liabilities and shareholders' equity	<u>\$ 136,535</u>	<u>\$ 133,664</u>

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

	Quarter Ended		
	January 1, 2010	October 2, 2009	January 2, 2009
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group:			
Benchmarking and Business Transformation (2)	\$ 23,974	\$ 19,769	\$ 30,094
Executive Advisory Programs (3)	3,055	3,330	3,693
Total The Hackett Group	<u>27,029</u>	<u>23,099</u>	<u>33,787</u>
Hackett Technology Solutions (4)	7,536	10,904	14,968
Total Revenue	<u>\$ 34,565</u>	<u>\$ 34,003</u>	<u>\$ 48,755</u>

Revenue Concentration:
(% of total revenue)

Top customer	6%	7%	6%
Top 5 customers	23%	28%	21%
Top 10 customers	36%	40%	30%

Key Metrics and Other Financial Data:

The Hackett Group:

The Hackett Group annualized revenue per professional <i>(in thousands)</i>	\$ 284	\$ 315	\$ 409
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Technology Solutions:

Technology Solutions consultant utilization rate	73%	72%	64%
Technology Solutions gross billing rate per hour	\$ 79	\$ 139	\$ 168

Total Company:

Consultant headcount	644	497	547
Total headcount	810	664	724
Days sales outstanding (DSO)	68	54	51
Cash (used in) provided by operating activities <i>(in thousands)</i>	\$ (3,466)	\$ 1,399	\$ 11,361
Depreciation <i>(in thousands)</i>	\$ 379	\$ 422	\$ 512
Amortization <i>(in thousands)</i>	\$ 555	\$ 171	\$ 164

Share Repurchase Program:

Shares purchased in the quarter <i>(in thousands)</i>	1,052	391	938
Cost of shares repurchased in the quarter <i>(in thousands)</i>	\$ 2,926	\$ 990	\$ 2,889
Average price per share of shares purchased in the quarter	\$ 2.78	\$ 2.53	\$ 3.08
Remaining authorization <i>(in thousands)</i>	\$ 579	\$ 3,505	\$ 1,959

(2) 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.

(3) Annual or multi-year contracts that provide clients with on-demand access to world-class performance metrics, best practice repository, best practice research forums and conferences, and advice.

(4) Best Practice Implementation of ERP Software, which is primarily Oracle and SAP, and business performance management solutions, which is primarily EPM Oracle.