

The Hackett Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Quarter Ended		Twelve Months Ended	
	December 28, 2007	December 29, 2006	December 28, 2007	December 29, 2006
Revenues:				
Revenues before reimbursements	\$ 40,473	\$ 34,315	\$ 158,973	\$ 162,167
Reimbursements	4,417	3,861	18,035	18,388
Total revenues	44,890	38,176	177,008	180,555
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses (includes \$178 and \$212 and \$1,146 and \$1,086 of stock compensation expense in the quarters and twelve months ended December 28, 2007 and December 29, 2006, respectively) (2)	21,402	20,027	88,964	94,656
Reimbursable expenses	4,417	3,861	18,035	18,388
Total cost of service	25,819	23,888	106,999	113,044
Selling, general and administrative costs (includes \$668 and \$651 and \$2,866 and \$3,013 of stock compensation expense in the quarters and twelve months ended December 28, 2007 and December 29, 2006, respectively) (2)	14,726	15,917	63,635	65,499
Restructuring costs	-	-	-	6,313
Loss (collections) from misappropriation, net	(2,224)	15	(2,574)	341
Total costs and operating expenses	38,321	39,820	168,060	185,197
Income (loss) from operations	6,569	(1,644)	8,948	(4,642)
Other income (expense):				
Interest income	208	204	869	673
Interest expense	-	(2)	(94)	(166)
Loss on marketable investments	(450)	-	(450)	-
Income (loss) before income taxes	6,327	(1,442)	9,273	(4,135)
Income tax expense (benefit)	31	(33)	278	913
Net income (loss)	\$ 6,296	\$ (1,409)	\$ 8,995	\$ (5,048)
Basic net income (loss) per common share:				
Net income (loss) per common share	\$ 0.15	\$ (0.03)	\$ 0.20	\$ (0.11)
Weighted average common shares outstanding	42,872	44,583	44,127	44,653
Diluted net income (loss) per common share (1):				
Net income (loss) per common share	\$ 0.14	\$ (0.03)	\$ 0.20	\$ (0.11)
Weighted average common and common equivalent shares outstanding	43,572	44,583	44,978	44,653
Pro forma data (3):				
Income (loss) before income taxes	\$ 6,327	\$ (1,442)	\$ 9,273	\$ (4,135)
Restructuring costs	-	-	-	6,313
Stock compensation expense	846	863	4,012	4,099
Amortization of intangible assets	296	365	1,351	2,632
Professional fees related to the loss from misappropriation	-	700	239	700
Loss (collections) from misappropriation, net	(2,224)	15	(2,574)	341
Loss on marketable investments	450	-	450	-
Pro forma income before income taxes	5,695	501	12,751	9,950
Pro forma income tax expense	2,278	200	5,100	3,980
Pro forma net income	\$ 3,417	\$ 301	\$ 7,651	\$ 5,970
Pro forma basic net income per common share	\$ 0.08	\$ 0.01	\$ 0.17	\$ 0.13
Weighted average common shares outstanding	42,872	44,583	44,127	44,653
Pro forma diluted net income per common share	\$ 0.08	\$ 0.01	\$ 0.17	\$ 0.13
Weighted average common and common equivalent shares outstanding	43,572	45,327	44,978	46,001

(1) Potentially diluted shares were excluded from the diluted loss per share calculations for the three and twelve months ended December 29, 2006 as their effects would have been anti-dilutive to the loss incurred by the Company.

(2) Certain items in the quarter and twelve months ended December 29, 2006 have been reclassified to conform with the December 28, 2007 presentation.

(3) The Company provides pro forma earnings results (which exclude amortization of intangible assets, stock compensation expense, restructuring costs, loss (collections) from misappropriation, net, loss on marketable investments and professional fees related to the loss from 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)

	December 28, 2007	December 29, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,061	\$ 8,832
Marketable investments	7,032	10,753
Accounts receivable and unbilled revenue, net	29,735	35,818
Prepaid expenses and other current assets	1,586	1,558
Total current assets	<u>58,414</u>	<u>56,961</u>
Restricted cash	600	600
Property and equipment, net	5,709	5,183
Other assets	2,434	3,870
Goodwill, net	68,302	66,652
Total assets	<u>\$ 135,459</u>	<u>\$ 133,266</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,970	\$ 5,427
Accrued expenses and other liabilities	29,047	24,773
Total current liabilities	<u>33,017</u>	<u>30,200</u>
Accrued expenses and other liabilities, non-current	3,623	4,611
Total liabilities	<u>36,640</u>	<u>34,811</u>
Shareholders' equity	<u>98,819</u>	<u>98,455</u>
Total liabilities and shareholders' equity	<u>\$ 135,459</u>	<u>\$ 133,266</u>

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

	Quarter Ended		
	December 28, 2007	September 28, 2007	December 29, 2006
Revenue Breakdown by Group: (in thousands)			
The Hackett Group:			
Benchmarking and Business Transformation (5) (8)	\$ 26,022	\$ 26,477	\$ 17,333
Executive Advisory Programs (6)	3,893	3,817	3,481
Total The Hackett Group	29,915	30,294	20,814
Hackett Technology Solutions (7) (8)	14,975	16,435	17,362
Total Revenues	\$ 44,890	\$ 46,729	\$ 38,176

Revenue Concentration:
(% of total revenues)

Top customer	5%	3%	3%
Top 5 customers	17%	14%	11%
Top 10 customers	28%	23%	20%

Key Metrics and Other Financial Data:

The Hackett Group annualized revenue per professional (in thousands)	\$ 411	\$ 439	\$ 322
Executive Advisory Programs - Annualized Contract Value (in thousands) (4)	\$ 16,031	\$ 14,495	\$ 13,713
Hackett Technology Solutions consultant utilization rate (8)	62%	64%	60%
Hackett Technology Solutions gross billing rate per hour (8)	\$ 161	\$ 163	\$ 161
Consultant headcount (8)	552	566	584
Total headcount (8)	739	753	810
Days sales outstanding (DSO)	60	59	85
Cash provided by (used in) operating activities (in thousands)(8)	\$ 8,320	\$ 9,373	\$ (696)
Depreciation (in thousands)	\$ 508	\$ 526	\$ 635
Amortization (in thousands)	\$ 296	\$ 343	\$ 365

Share Repurchase Program:

Shares purchased in the quarter (in thousands)	1,029	1,187	-
Cost of shares repurchased in the quarter (in thousands)	\$ 4,208	\$ 4,116	\$ -
Average price per share of shares purchased	\$ 4.09	\$ 3.47	\$ -
Remaining authorization (in thousands)	\$ 6,060	\$ 5,268	\$ -

(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 December 29, 2006 have been reclassified to conform with the December 28, 2007 presentation.