MANHATTAN ASSOCIATES INC
Form 10-K
February 25, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 000-23999

Manhattan Associates, Inc.

(Exact Name of Registrant As Specified in Its Charter)

Georgia	**58-2373424**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

2300 Windy Ridge Parkway, Suite 1000 Atlanta, Georgia	**30339**
(*Address of Principal Executive Offices*)	(*Zip Code*)

Registrant s telephone number, including area code: **(770) 955-7070**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value per share	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2007 was $727,773,764, which was calculated based upon a closing sales price of $27.91 per share of the Common Stock as reported by the Nasdaq Stock Market on the same day. As of February 21, 2008, the Registrant had outstanding 24,491,423 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant s definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 30, 2008 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

MANHATTAN ASSOCIATES, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2007
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Forward-Looking Statements

In addition to historical information, this Annual Report may contain forward-looking statements relating to Manhattan Associates, Inc. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are delays in product development, undetected software errors, competitive pressures, technical difficulties, market acceptance, availability of technical personnel, changes in customer requirements and general economic conditions. Additional factors are set forth in the *Risk Factors* in Part I, Item 1A of this Annual Report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results. Our Annual Report on Form 10-K is available through our Website at www.manh.com.

Item 1. *Business*

Overview

We are a leading developer and provider of supply chain solutions that help organizations optimize the effectiveness, efficiency, and strategic advantages of their supply chains. Our solutions consist of software, services and hardware, which coordinate people, workflows, assets, events and tasks holistically across the functions linked in a supply chain from planning through execution. These solutions also help coordinate the actions, data exchange and communication of participants in supply chain ecosystems, such as manufacturers, suppliers, distributors, trading partners, transportation providers, channels (such as catalogers, store retailers and Web outlets) and consumers.

All of our solutions also include services such as design, configuration, implementation, product assessment and training, as well as customer support and software enhancements. Some key benefits of implementing our solutions include:

- Maintaining optimal inventory levels across multiple channels, including store, web and catalog;
- Optimizing inventory assortments by channel to maximize sales and profitability;
- Improving sales and customer order fill rates while reducing overall network inventory;
- Improving visibility of inventory, order status and delivery status;
- Coordinating workflows and communication with other participants in a supply chain ecosystem, including suppliers, customers and transportation providers;
- Increasing the productivity of labor, facilities and materials-handling equipment;
- Balancing transportation and inventory costs with desired service levels by channel;
- Reducing transportation costs;
- Reducing labor costs;
- Improving asset utilization; and
- Improving compliance with customer requirements, including radio frequency identification (RFID) and electronic product code (EPC) requirements.

We are a Georgia corporation formed in February 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC, our predecessor. References in this filing to the Company, Manhattan, Manhattan Associates, we, our, and us refer to Manhattan Associates, Inc., our predecessors, and our wholly-owned and consolidated subsidiaries. Our principal executive offices are located at 2300 Windy Ridge Parkway, Suite 1000,

Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

In 2005, the Company acquired Evant, Inc., a provider of supply chain planning and replenishment solutions, for approximately $50 million in cash.

Industry Background

Globalization and technological advances have radically altered competition, service expectations and business operating imperatives for modern organizations. Pressures such as outsourcing, channel convergence, rising fuel costs, global labor sourcing, and regulatory and security requirements motivate organizations to closely examine not only their supply chain operations, but also how they interact in supply chain ecosystems that interlink suppliers, trading partners, manufacturers, sellers, distributors, transporters, channels and customers. We believe this is because supply chain and ecosystem mastery are necessary to create sustainable competitive advantages in today s commerce environment.

Profitable operations, brand leadership and customer loyalty today depend not only on products, but also on the blends of services including availability, channel choice, pricing options, return policies, ease of buying, ease of delivery and technical or operational support that uniquely surround those products to satisfy targeted customer desires. Supply chain solutions help organizations coalesce data, workflows, events and tasks from across the web of suppliers, trading partners, customers and other participants in an ecosystem to make optimal business decisions.

Ideally, organizations apply supply chain technology, software and services to solve identified operational inefficiencies or create operational advantages in ways that can scale as their businesses grow. They also look to easily integrate supply chain solutions with other technology, such as enterprise resource planning (ERP) systems, customer relationship management (CRM) systems, e-business systems, material handling equipment and other solutions involved in creating efficient, competitive and profitable operations.

Manhattan Associates Solutions and Services

Our solutions are designed to help organizations optimize their supply chain operations holistically, from planning through execution. This holistic approach can be leveraged to create operational and market advantages, among them:

- Ø **Organized Optimization:** Making decisions about inventory or transportation or labor in isolation without considering data, workflows and inputs from the other areas can lead to more costly and suboptimal decisions. Each of these cost areas directly impacts the others, and optimizing one area in isolation often has a negative and unanticipated cost and/or service-level influence on the other areas. We believe true optimization must synchronize decisions across the entire organization based on a common set of business priorities.

- Ø **Mastery Over Channel Proliferation:** Selling channels are proliferating across all market sectors, and affect almost every area of a business. Providing the means to plan and manage these channels independently, yet execute as a united entity, is key to optimizing revenue and mitigating unnecessary costs.

- Ø **Green Supply Chains:** Whether the priority is carbon footprints, greenhouse gas emissions or reuse and recycling, supply chain solutions help companies improve their eco-friendliness.

Our solutions and services include:

Our portfolio of software solutions, which we call Manhattan SCOPE™ (**S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution)

Professional Services

Customer Support Services and Software Enhancements

Training

Hardware Sales

We provide an overview of our solutions and services below.

Software Solutions

We call our portfolio of supply chain software solutions Manhattan SCOPE™ (**S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution). Built on a common Supply Chain Process Platform, SCOPE combines Planning

and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management to enable full-range supply chain optimization.

SCOPE is ideally suited for companies that consider supply chain software, processes and technology strategic to market leadership. Predictive and algorithmic technology embedded in SCOPE help organizations refine decisions dynamically as market or operational conditions change. Advantages derived from coordinated real-time visibility, event management, ecosystem collaboration and intelligence across supply chain operational departments and functions avert having decisions in one supply chain area unexpectedly affect another unfavorably. By organizing supply chain optimization holistically, Manhattan enables customers to fine-tune costs, profitability and service levels as their business objectives and market conditions evolve.

Our solutions operate across the Unix, System i (iSeries, AS/400) and Microsoft .NET computing platforms. Our solutions operate on multiple hardware platforms utilizing various hardware systems and inter-operate with many third-party software applications and legacy systems. This interfacing and open system capability enables customers to continue using their existing computer resources and to choose among a wide variety of existing and emerging computer hardware and peripheral technologies. We provide adapters for most ERP systems to enhance communication and reduce implementation costs between our core products and our clients host systems. We currently offer interfacing adapters to a variety of ERP systems such as but not limited to Oracle, SAP, Lawson, JDA Software, Essentus and Intentia. We also offer certain of our solutions in both premise software and hosted Software-as-a-Service (SaaS) models so that customers can select the option that best meets their requirements for control, flexibility, cost of ownership, and time-to-deployment.

Manhattan SCOPE Portfolio Overview

SCOPE encompasses the following solutions and technology:

Supply Chain Process Platform

Supply Chain Platform Applications

Supply Chain Solution Suites

X-Suite Solutions

Supply Chain Process Platform

At the foundation of our SCOPE portfolio is the services-based Supply Chain Process Platform which enables our customers to manage their supply chain ecosystems. Our Supply Chain Process Platform utilizes a service-oriented architecture (SOA), common data model, extensive collaborative gateways and an optimization engine to facilitate supply chain transformations that help our customers create and sustain competitive advantages.

In addition, our Supply Chain Process Platform provides the foundation for ensuring that all our solutions reside on a common architecture, leverage common master and transaction data and utilize the same business services to accomplish tasks common to multiple solutions. Its service-oriented architecture provides the flexibility, scalability and supportability required to meet the needs of today s industry leaders. This unified approach to a common architecture allows our customers to speed implementation and upgrade times and fosters a lower total cost of ownership.

Our Supply Chain Process Platform also enables us to identify new ways to combine solutions to uniquely address industry-specific business problems. As customers identify needs to coordinate and synchronize business objectives across departments and organizational boundaries, Manhattan will continue to focus on providing solutions to these cross-application optimization opportunities.

Supply Chain Platform Applications

SCOPE Platform Applications span the entire portfolio to provide key visibility, intelligence and adaptive functionality across the enterprise. These solutions offer the broad supply chain insight and analytics that are critical to an executive s ability to proactively manage the holistic supply chain. They include:

Supply Chain Event Management

Supply Chain Visibility

Supply Chain Intelligence

Whether deployed with the fully-integrated Manhattan supply chain solutions suite or integrated with other legacy systems, Platform Applications provide a comprehensive range of event and schedule tracking, alerts and notifications, inventory, order and shipment visibility and leading-edge analytics and reporting with graphical depictions of critical supply chain performance metrics.

Supply Chain Solution Suites

At the core of the Manhattan SCOPE portfolio are five Supply Chain Solution Suites:

Planning and Forecasting

Inventory Optimization

Order Lifecycle Management

Transportation Lifecycle Management

Distribution Management

Each of the five suites offers capabilities designed to enable organizations to proactively plan, monitor and execute against their overall business objectives.

Planning and Forecasting provides tools to sense and respond to demand as well as support all levels of enterprise planning, from strategic level planning down to assortment and key item planning. Our Planning and Forecasting solutions provide unique capabilities to manage multi-channel planning and forecasting business processes, and include the following features:

Demand Forecasting

Multi-Channel Planning

Financial Planning

Assortment Planning

Item Planning

Promotional Planning

Store Clustering

Inventory Optimization enables enterprises to improve sales and customer order fill rates while reducing overall network inventory. Inventory Optimization also provides analytical tools to better balance the financial trade-off between improving customer service levels and overall inventory investments. Our Inventory Optimization suite facilitates the following functions:

Vendor Managed Inventory and *Collaboration Gateway* solutions help formulate tighter, lasting relationships with key trading partners, such as replenishing products into customers locations or sharing key supply chain performance indicators.

Replenishment

Multi-Echelon

Vendor Managed Inventory

Collaboration Gateway

Order Lifecycle Management is designed to optimize order fulfillment across a distributed supply chain. By managing orders across all channels from inception to sourcing physical fulfillment and ultimately through physical returns if applicable Order Lifecycle Management helps to optimize inventory deployment while reducing overall fulfillment costs. This suite enables the following functions:

Distributed Order Management

Store/Customer Gateway

Reverse Logistics Management

Transportation Lifecycle Management optimizes all aspects of transporting product through supply chains by improving multiple product delivery dimensions, such as speed, accuracy and cost, and covers the following areas:

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- Transportation Procurement
- Transportation Planning & Execution
- Logistics Gateway
- Fleet Management
- Audit Payment and Claims
- Appointment Scheduling
- Yard Management
- Carrier Management

Distribution Management is designed to effectively manage the key assets required to run complex distribution operations, and to move goods and information through a warehouse with precision and velocity. The suite addresses, among other needs, inbound visibility, receiving and shipping, labor management, and slotting optimization, and

- Warehouse Management
- Labor Management
- Slotting Optimization
- Billing Management
- Supplier Enablement
- Hub Management
- RFID Solutions

X-suite solutions

The final component of Manhattan SCOPE is X-Suite Solutions. An X-Suite Solution is the integration of two or more solutions or solution components to solve a specific business problem. SCOPE s modular service-oriented architecture facilitates the creation of these cross-suite applications. X-Suite includes:

- Flow Management
- Extended Enterprise Management

Flow Management improves the agility of the supply chain while reducing the overall amount of inventory required to maintain high levels of customer service. In a flow-through distribution model, goods literally flow directly through the warehouse to outbound shipping areas. Flow Management is designed to synchronize demand, supply and inventory strategies across all aspects of planning, allocation and distribution. It synthesizes these SCOPE elements:

- Demand Forecasting
- Replenishment
- Supply Chain Visibility

- Distributed Order Management

- Warehouse Management

Businesses achieve the greatest benefit from a flow-through distribution model only by synchronizing demand management, inventory optimization, purchase order allocations, and the execution of the physical distribution within the warehouse. Flow Management enables organizations to evolve from a facilities-based distribution model to a more holistic, network-based perspective. As a result, organizations can:

- Free inventory to drive maximum profitability and customer service across channels;

- Redirect inbound supply directly to customers, alternate stores or distribution centers based on real-time demand signals, and

- Optimize cross-channel inventory by enabling a single supply planning and inventory management process enterprise wide.

Extended Enterprise Management connects organizations with supply chain ecosystem participants to create insight on key supply chain events and improve how goods are ordered and move through supply chains. It synthesizes these solutions:

Supplier Enablement

Hub Management

Transportation Enablement

Store / Consumer Gateway

Collaborative Gateway

Supply Chain Visibility

Supply Chain Event Management

Extended Enterprise Management facilitates quick and fluid interactions with trading partners, optimizes order management, creates compliant case labels and advanced shipment notifications upstream, assures quality inventory and shipments, and responds efficiently to events to increase on-time delivery rates, improve inventory control and meet demand expectations.

Professional Services.

Our professional services provide our customers with expertise and assistance in planning and implementing our solutions. To ensure a successful product implementation, consultants assist customers with the initial installation of a system, the conversion and transfer of the customer s historical data onto our system, and ongoing training, education and system upgrades. We believe our professional services enable customers to implement our software rapidly, ensure the customer s success with our solution, strengthen our customer relationships, and add to our industry-specific knowledge base for use in future implementations and product innovations.

Although our professional services are optional, substantially all of our customers use at least some portion of these services for the implementation and ongoing support of our software solutions. Professional services are typically rendered under time and materials-based contracts, with services typically billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts, with payments due on specific dates or milestones. We believe that increased sales of our software solutions will drive higher demand for our consulting services.

Our professional services group consists of business consultants, systems analysts and technical personnel devoted to assisting customers in all phases of the implementation of our systems, including planning and design, customer-specific configuring of modules, and on-site implementation or conversion from existing systems. Our consulting personnel undergo extensive training on supply chain operations and on our products. At times, we use third-party consultants, such as those from major systems integrators, to assist our customers in certain implementations.

We have developed a proprietary, standardized implementation methodology called PRISM, which leverages our solutions architecture with the knowledge and expertise gained from completing more than 2,700 installations worldwide. The modular design of our solutions significantly reduces the complexities associated with integrating to existing systems, including Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), e-business systems and complex material handling systems.

Customer Support Services and Software Enhancements

We offer a comprehensive program that provides our customers with software upgrades that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. Over the last three years, our annual renewal rate of customers subscribing to comprehensive support and enhancements has been greater than 90%. We have the ability to remotely access the customer s system in order to perform diagnostics, on-line assistance and assist in software upgrades. We offer 24x7x365 customer support plus software upgrades for an annual fee that is paid in advance and is determined based on the service level required by the customer. Our upgrades

are provided under this program on a when-and-if available basis.

Training

We offer training in a structured environment for new and existing users. Training programs are provided on a per-person, per-class basis at fixed fees. We currently have courses available to provide training on solution use, configuration, implementation and system administration. We have also developed several computer-based training programs that can be purchased for a fixed fee for use at client sites.

Hardware Sales

In conjunction with the licensing of our software, and as a convenience for our customers, we resell a variety of hardware products developed and manufactured by third parties. These products include computer hardware, radio frequency terminal networks, RFID chip readers, bar code printers and scanners, and other peripherals. We resell all third-party hardware products pursuant to agreements with manufacturers or through distributor-authorized reseller agreements pursuant to which we are entitled to purchase hardware products at discount prices and to receive technical support in connection with product installations and any subsequent product malfunctions. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

Strategy

Our objective is to extend our position as a leading global supply chain solutions provider. Our solutions help global manufacturers, wholesalers, distributors, retailers and logistics providers successfully manage accelerating and fluctuating demands as well as the increasing complexity and volatility of their local and global supply chains. We believe our solutions are advanced, highly functional, highly scalable and allow our customers to improve relationships with suppliers, customers and logistics providers; leverage their investments across the supply chain; effectively manage costs; and meet dynamically changing customer requirements. We believe our solutions are uniquely positioned to holistically optimize supply chains from planning through execution, and that customers can leverage this holistic approach to create operational and market advantages.

Our strategies to accomplish our objective include the following:

Develop and Enhance Software Solutions. We intend to continue to focus our product development resources on the development and enhancement of supply chain software solutions. We offer what we believe to be the broadest solution portfolio in the supply chain solutions marketplace, to address all aspects of Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management. To deliver additional functionality and value, we plan to continue to provide enhancements to existing solutions and to introduce new solutions to address evolving industry standards and market needs. We identify further enhancements to existing solutions and opportunities for new solutions through our customer support organization, as well as through ongoing customer consulting engagements and implementations; interactions with our user groups; association with leading industry analyst and market research firms; and participation on industry standards and research committees. Our solutions address the needs of customers in various vertical markets including retail, consumer goods, food and grocery, logistics service providers, industrial and wholesale, high technology and electronics, life sciences and government. We intend to continue to enhance the functionality of our solutions to meet the dynamic requirements of these vertical markets as well as new vertical markets as business opportunities dictate.

Expand International Sales. We believe that our solutions offer significant benefits to customers in international markets. We have approximately 1,100 employees outside the United States focused on international sales, servicing our international clients and product development. We have offices in Australia, China, France, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America, Eastern Europe, Middle East, and Asia. Our international strategy includes: leveraging the strength of our relationships with current customers that also have significant overseas operations; and pursuing strategic marketing partnerships with international systems integrators and third-party software application providers.

Expand Our Strategic Alliances and Indirect Sales Channels. We currently sell our products primarily through our direct sales personnel and select resellers. We have worked on joint projects and joint sales initiatives with industry-leading consultants and software systems implementers, including most of the large consulting firms and other systems consulting firms specializing in our targeted industries, to supplement our direct sales force and

professional services organization. We have been expanding our indirect sales channels through reseller agreements, marketing agreements, agreements with third-party logistics providers and Microsoft business partners. These alliances extend our market coverage and provide us with new business leads and access to trained implementation personnel. We have strategic alliances with complementary software providers, third party integrators/consultants and hardware vendors. Some of our partners are CSC Consulting, HP Technology, IBM, Kurt Salmon Associates, Microsoft, Q4 Logistics, Sedlak, Tompkins, UPS Technology and Vocollect.

Acquire or Invest in Complementary Businesses. We intend to pursue strategic acquisitions of technologies, solutions and businesses that enable us to enhance and expand our supply chain planning and execution solutions and service offerings. More specifically, we intend to pursue acquisitions that will provide us with complementary solutions and technologies; expand our geographic presence and distribution channels; extend our presence into additional vertical markets with similar challenges and requirements of those we currently meet; and/or further solidify our leadership position within the primary components of supply chain planning and execution.

Sales and Marketing

We employ multiple discipline sales teams that consist of professionals with industry experience in sales and technical sales support. To date, we have generated the majority of our revenue from sales of software through our direct sales force. We plan to continue to invest significantly to expand our sales, services and marketing organizations within the United States; Europe, the Middle East and Africa (EMEA); and Asia Pacific (APAC), and to pursue strategic marketing partnerships. We conduct comprehensive global marketing programs that include prospect profiling and targeting, lead generation, public relations, analyst relations, trade show attendance and sponsorships, supply chain conference hosting, joint promotion programs with vendors and consultants and ongoing customer communication programs.

The sales cycle typically begins with the generation of a sales lead through in-house telemarketing efforts, targeted promotions, web inquiries, trade show presence, speaking engagements or other means of referral or the receipt of a request for proposal from a prospective customer. The sales lead or request for proposal is followed by the qualification of the lead or prospect, an assessment of the customer s requirements, a formal response to the request for proposal, presentations and product demonstrations, site visits and/or reference calls to an existing customer using our supply chain solutions and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to nine months.

In addition to new customer sales, we will continue to leverage our existing customer base to provide for system upgrades, sales of additional licenses of purchased solutions and sales of new or add-on solutions. We also plan to further develop and expand our indirect sales channels, including sales through reseller agreements, marketing agreements and agreements with third-party logistics providers. To extend our market coverage and to provide us with new business leads and access to trained implementation personnel, we further intend to develop and expand our strategic alliances with systems integrators skilled at implementing our solutions. Business referrals and leads continue to be positively influenced by systems integrators, which include most of the large consulting firms and other systems consulting firms specializing in our targeted industries. We believe that our leadership position in providing supply chain solutions perpetuates the willingness of systems integrators to recommend our solutions where appropriate.

We have an established program intended to foster joint sales and marketing efforts with our business partners. In some cases, this includes joint development work to make our products and our partner s products interface seamlessly. Among others, partnerships arising from our Manhattan Associates Partner Program (MAP2) include: Accenture a global management consulting, technology services, and outsourcing company committed to delivering innovation; CSC Consulting a global information technology (IT) services company; Hewlett-Packard a technology solutions provider to consumers, businesses and institutions globally; IBM the world s largest information technology company which develops, manufactures and markets semiconductor and interconnect technologies, products and services; KSA Consulting a premier global management consulting firm offering integrated strategy, process and technology deployment solutions to the consumer products and retail industries; Microsoft the worldwide leader in software, services and solutions that help people and businesses realize their full potential; Q4, a division of Fortna a supply chain design and implementation solutions provider; Sedlak a supply chain consulting company; Tompkins a

leading operations-focused consulting and integration firm, specializing in end-to-end supply chain solutions; and Vocollect a global leader in voice-directed work.

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Customers

To date, our customers have been suppliers, manufacturers, distributors, retailers and logistics providers in a variety of industries. The following table sets forth a representative list of customers that contracted to purchase solutions and services from us in 2007.

3 Suisses
Aaron Rents, Inc
ABX Logistics
Always
American Eagle Outfitters, Inc
American Honda Motor Co., Inc.
Argos Limited
ASICS America Corporation
Bally Technologies
Barnes Distribution
Bed, Bath & Beyond
Belk, Inc.
Belkin International, Inc.
Birds Eye Foods, Inc.
Blackhawk Products Group
Burlington Coat Factory Warehouse Corporation
Canadian Tire Corporation Limited
Casual Male Retail Group, Inc
Citi Trends, Inc.
Conair Corporation
Converse, Inc.
Cott Beverages USA
Crocs, Inc.
Custom Building Products, Inc.
Dalepak Limited
DENDRITE Interactive Marketing LLC
Ergon SCM de Mexico SA de CV
Fashion Biz
Federated Systems Group, Inc.
Fiskars Brands, Inc.
Fitness Quest, Inc.
Fruit of the Loom Limited
GENCO Distribution Systems, Inc.
Gloria Jeans
GoldToeMoretz LLC
GraysOnline
H E Butt Grocery (HEB)
Hospira, Inc.
IP Budin
Jefferson Smurfit Corporation
John Paul Mitchell Systems
Jones Apparel Group, Inc.
Kohl & Frisch, Ltd.
Lakeshore Equipment Company
Lamps Plus, Inc.
Laura Ashley Limited
Liberty Hardware Mfg. Corp.
Matahari
McKesson Canada Corporation
Meteor Controls International Ltd.
Midwest Express Group
Mitsubishi Corporation LT, Inc.
Orchard Brands, Inc. (aka Blair Corp)
O Reilly Automotive, Inc.
Ozburn-Hessey Logistics
Panalpina Management AG
Performance Warehouse
PETCO Animal Supplies, Inc.
Production Tool Supply Company
PT Mataharii Putra Prima
Reckitt Benckiser, Inc.
Restoration Hardware
Rhenus AG & Co. KG
Safeway, Inc.
School Apparel, Inc.
Seiwa Kaiun Co., Ltd.
Shenzheng Easttop Trade & Logistics
SpeedFC, Inc.
Spiegel Brands, Inc.
Springs Creative Product Group LLC
Stride Rite Children s Group Inc.
Sultan Center Food Products Company
Tesco Stores Limited
Teters Floral Products, Inc.
Teva Pharmaceuticals USA, Inc.
The Apparel Group
The Beistle Company
The Tire Rack, Inc.

DHL Exel Supply Chain	National Freight, Inc.	TNT Fashion Logistics BV
Dick s Sporting Goods, Inc.	Nelson Education Limited	US Foodservice
Domaxel	Nestle Nespresso SA	Volcom
Donaldson Europe BVBA	Nor-Cal Beverage Co., Inc.	VWR International LLC
East Bay	Northern Safety Co.	Warnaco Group, Inc.
Elecon	NWL Holdings, Inc.	Weetabix Ltd.
Electronics for Imaging, Inc.	NYK Logistics	Wincanton plc.
Elektra del Milenio SA de CV	O Bryan Brothers, Inc.	Yazaki North America, Inc.
ElektroKompectService		

Our top five customers in aggregate accounted for 13%, 16% and 14% of total revenue for each of the years ended December 31, 2007, 2006 and 2005, respectively. No single customer accounted for more than 10% of revenue in 2007, 2006 or 2005.

Product Development

Our development efforts are focused on: adding new functionality to existing solutions; integrating our various solution offerings; enhancing the operability of our solutions across distributed and alternative hardware platforms, operating systems and database systems; and developing new solutions. We believe that our future success depends in part upon our ability to continue to enhance existing solutions, to respond to dynamically changing customer requirements, and to develop new or enhanced solutions that incorporate new technological developments and emerging supply chain and industry standards. To that end, our development efforts frequently focus on base system enhancements and the incorporation into our solutions of new user requirements and features identified and created through customer and industry interactions and systems implementations. As a result, we are able to continue to offer our customers a packaged, highly configurable solution with increasing functionality rather than a custom-developed software program. We also have developed interface toolkits for most major ERP systems to enhance communication and improve data flows between our core solutions and our clients host systems.

In the interest of informing our product strategy and research and development approaches with the most advanced thinking on supply chain opportunities, challenges and technologies, we leverage both internal and external science advisors. Our internal Research Team is comprised of Ph.D.-credentialed math and science experts who work on creating and solving algorithms and other constructs that advance the optimization capabilities and other aspects of our solutions. Our external Science Advisory Board unites the thinking of supply chain experts from leading educational institutions known for their supply chain disciplines, and practitioners from organizations deploying supply chain technology in innovative and market-advancing ways. Together, our Research Team and Science Advisory Board inform both the practical business approaches and the mathematical and scientific inventiveness of our solutions.

We plan to principally conduct our development efforts internally in order to retain development knowledge and promote the continuity of programming standards; however, some projects that can be performed separately and/or require special skills may be outsourced. Periodically, we use third-party research and development companies to localize our products into Chinese, Danish, French, German, Japanese, Korean, Spanish and Swedish. We also established a development center in Bangalore, India during 2002, which now has approximately 550 research and development professionals.

We continue to devote a significant portion of our research and development efforts to the enhancement and integration of all of our solutions. We have developed a release program which provides our customers with updates to our solutions. Our product development efforts will principally be focused on enhancing our existing solutions, developing new solutions and modules, and continuing to localize our solutions for various international markets.

Our research and development expenses for the years ended December 31, 2007, 2006 and 2005 were $46.6 million, $41.5 million and $34.1 million, respectively. We intend to continue to invest significantly in product development.

Competition

Our solutions are fully focused on the supply planning and execution markets, which are rapidly consolidating, intensely competitive and characterized by rapid technological change. The principal competitive factors affecting the market for our solutions include:

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- Vendor and product reputation;
- Compliance with industry standards;
- Solution architecture;
- Solution functionality and features;
- Integration experience, particularly with ERP providers and material handling equipment providers;
- Industry expertise;
- Ease and speed of implementation;
- Return on investment;
- Solution quality and performance;
- Total cost of ownership;
- Solution price; and
- Level of support.

We believe that we compete favorably with respect to each of these factors. Our competitors are diverse and offer a variety of solutions directed at various aspects of the supply chain, as well as the enterprise as a whole. Our existing competitors include:

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- Enterprise Resource Planning (ERP) vendors, including Oracle and SAP, among others;
- supply chain execution vendors, including RedPrairie Corporation, SSA Global Technologies, Inc., Highjump Software LLC (a 3M company), CDC Software Asia Pacific Ltd. (a CDC Corporation company) and Sterling Commerce, Inc. (an AT&T company), among others;
- supply chain planning vendors, including JDA Software Group, Inc., SAS Institute Inc. and i2 Technologies, Inc., among others; and
- smaller independent companies that have developed are attempting to develop supply chain execution solutions and/or supply chain planning solutions that competes with our Supply Chain Solutions.

We anticipate facing increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their solution offerings by internally developing or by acquiring or partnering with independent developers of supply chain planning and execution software. For instance, both Oracle and SAP have entered the market for supply chain management applications. To the extent such ERP and SCM vendors develop or acquire systems with functionality comparable or superior to our solutions, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide them a significant competitive advantage over our solutions. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share. We believe

that the domain expertise required to continually innovate targeted supply chain technology, effectively and efficiently implement solutions, identify and attract sales opportunities, and compete successfully in the sales cycle provides us with a competitive advantage and is a significant barrier to market entry. However, some of our competitors have significant resources at their disposal, and the degree to which we will compete with these new products in the marketplace is still undetermined.

Many of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition, a broader offering of products and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors innovations. We cannot assure you that our current or potential competitors will not develop solutions comparable or superior in terms of price and performance features to those developed by us. In addition, we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition may result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. We cannot give guarantee that in the future we will be able to successfully compete against current and future competitors.

International Operations: Segments

Manhattan Associates has three reporting segments, based on geographic locations of its operations: the Americas, EMEA and APAC. For further information on our segments, see Note 8 to our consolidated financial statements. Our international revenue was approximately $68.7 million, $59.0 million and $54.7 million for the years ended December 31, 2007, 2006 and 2005, respectively, which represents approximately 20%, 20% and 22% of our total revenue for the years ended December 31, 2007, 2006 and 2005, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have over 1,000 employees outside the United States. We have offices in Australia, China, France, Germany, India, Japan, the Netherlands, Singapore and the United Kingdom, as well as representatives in Mexico and reseller partnerships in Latin America.

Proprietary Rights

We rely on a combination of copyright, trade secret, trademark, service mark and trade dress laws, confidentiality procedures and contractual provisions to protect our proprietary rights in our products and technology. We have registered trademarks for Manhattan Associates and the Manhattan Associates logo, as well as for a number of products and product features. We also have trademark applications submitted for Manhattan SCOPE, SCOPE, Transportation Lifecycle Management, Order Lifecycle Management, Distributed Order Management, Extended Enterprise Management and Flow Management. We generally enter into confidentiality and assignment-of-rights agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license our solutions to our customers and restrict the customer s use for internal purposes without the right to sublicense the solutions. However, we believe that this provides us only limited protection. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure you that we will successfully deter misappropriation or independent third-party development of our technology or prevent an unauthorized third party from copying or obtaining and using our products or technology. In addition, policing unauthorized use of our solutions is difficult, and while we are unable to determine the extent to which piracy of our software solutions exist, as is the case with any software company, piracy could become a problem.

As the number of supply chain management solutions in the industry increases and the functionality of these solutions further overlaps, companies that develop software may increasingly become subject to claims of infringement or misappropriation of intellectual property rights. Third parties may assert infringement or misappropriation claims against us in the future for current or future products. Any claims or litigation, with or without merit, could be time-consuming, result in costly litigation, divert management s attention and cause product shipment delays or require us to enter into royalty or licensing arrangements. Any royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all, which could have a material adverse effect on our business, financial condition and results of operations. Adverse determinations in such claims or litigation could also have a material adverse effect on our business, financial condition and results of operations.

We may be subject to additional risks as we enter into transactions in countries where intellectual property laws are not well developed or are poorly enforced. Legal protections of our rights may be ineffective in such countries. Litigation to defend and enforce our intellectual property rights could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations, regardless of the final outcome of such litigation. Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, we cannot assure that we will be successful in doing so, or that the steps taken by us in this regard will be adequate to deter misappropriation or independent third party development of our technology or to prevent an unauthorized third party from copying or otherwise obtaining and using our products or technology. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Employees

As of December 31, 2007, we employed 2,241 full time employees, including 201 in sales and marketing, 1,096 in services, 772 in R&D and 172 in general and administration. By geography, we have 1,149 employees based in the Americas, 850 employees in India, 148 employees in EMEA, and 94 employees in APAC.

Available Information

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission (the SEC or the Commission). These materials can be inspected and copied at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC s Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC s Internet site is www.sec.gov.

On our website, www.manh.com, we provide free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after they have been electronically filed or furnished to the SEC. Information contained on our website is not part of this Form 10-K or our other filings with the SEC.

Additionally, our code of business conduct and ethics and the charters of the Audit, Compensation and Nomination and Governance Committees of the Board of Directors are available on our website.

Item 1A. *Risk Factors*

You should consider the following factors in evaluating our business or an investment in our common stock. If any of the following or other risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline.

Our operating results are difficult to predict and could cause our stock price to fall. Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Our quarterly revenue is difficult to forecast for several reasons, including the following:

- the varying sales cycle for our products and services from customer to customer, including multiple levels of authorization required by some customers;
- the varying demand for our products;
- customers budgeting and purchasing cycles;
- delays in our implementations at customer sites;
- timing of hiring new services employees and the rate at which these employees become productive;
- timing of introduction of new products;
- development and performance of our distribution channels; and
- timing of any acquisitions and related costs.

As a result of these and other factors, our license revenue is difficult to predict. Because our revenue from services is largely correlated to our license revenue, a decline in license revenue could also cause a decline in our services revenue in the same quarter or in subsequent quarters. In addition, an increase or decrease in hardware sales, which provide us with lower gross margins than sales of software licenses or services, may cause variations in our quarterly operating results.

Most of our expenses, including employee compensation and rent, are relatively fixed. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. Although we have grown significantly during the

past seven years, our prior growth rates may not be a good indicator of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

Delays in implementations of our products could adversely impact us. Due to the size of most of our software implementations, our implementation cycle can be lengthy and may result in delays. These delays could cause customer dissatisfaction, which could harm our reputation. Additional delays could result if we fail to attract,

train and retain services personnel, or if our alliance companies fail to commit sufficient resources towards implementing our software. These delays and resulting customer dissatisfaction could harm our reputation and cause our revenue to decline.

We may not be able to continue to successfully compete with other companies. We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings. Our current competitors come from many segments of the software industry and offer a variety of solutions directed at various aspects of the extended supply chain, as well as the enterprise as a whole. We face competition for product sales from:

- the corporate information technology departments of current or potential customers capable of internally developing solutions;
- Enterprise Resource Planning (ERP) vendors, including Oracle and SAP, among others;
- supply chain execution vendors, including RedPrairie Corporation, SSA Global Technologies, Inc., Highjump Software LLC (a 3M company), CDC Software Asia Pacific Ltd. (a CDC Corporation company) and Sterling Commerce, Inc. (an AT&T company), among others;
- supply chain planning vendors, including JDA Software Group, Inc., SAS Institute Inc. and i2 Technologies, Inc., among others; and
- smaller independent companies that have developed are attempting to develop supply chain execution solutions and/or supply chain planning solutions that competes with our Supply Chain Solutions.

We may face increased competition in the future from ERP and SCM applications vendors and business application software vendors that may broaden their product offerings by internally developing or by acquiring or partnering with independent developers of supply chain execution software. Both Oracle and SAP have entered the market for SCM applications. To the extent such ERP and SCM vendors develop or acquire systems with functionality comparable or superior to our products, their significant installed customer bases, long-standing customer relationships and ability to offer a broad solution could provide a significant competitive advantage over our products. In addition, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share.

Many of our competitors and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition, a broader offering of products, and a larger installed base of customers than we do. In order to be successful in the future, we must continue to respond promptly and effectively to technological change and competitors innovations. We cannot assure you that our current or potential competitors will not develop products comparable or superior in terms of price and performance features to those developed by us. In addition, we cannot assure you that we will not be required to make substantial additional investments in connection with our research, development, marketing, sales and customer service efforts in order to meet any competitive threat, or that we will be able to compete successfully in the future. Increased competition may result in reductions in market share, pressure for price reductions and related reductions in gross margins, any of which could materially and adversely affect our ability to achieve our financial and business goals. We cannot guarantee that in the future we will be able to successfully compete against current and future competitors.

Our pricing models may need to be modified due to price competition. The competitive markets in which we operate may oblige us to reduce our prices in order to contend with the pricing models of our competitors. If our competitors discount certain products or services, we may choose to lower prices on certain products or services in order to attract or retain customers. Any such price modifications would likely reduce margins and could adversely affect our results of operations.

Our performance may be negatively impacted by macroeconomic or other external influences. We are a technology company selling technology-based solutions with total pricing, including software and services, in many

cases, exceeding $1.0 million. Reductions in the capital budgets of our customers and prospective customers could have an adverse impact on our ability to sell our solutions. We believe that a deterioration in the current business climate within the United States and/or other geographic regions in which we operate, continued delays in capital spending, or the timing of deals closed could have a material adverse impact on our business and our ability to compete, and is likely to further intensify in our already intensely competitive markets.

Our international operations have many associated risks. We continue to expand our international operations, and these efforts require significant management attention and financial resources. We may not be able to successfully penetrate international markets or if we do, there can be no assurance that we will grow these markets at the same rate as in North America. Because of the complex nature of this expansion, it may adversely affect our business and operating results.

In the last several years, we opened new international offices in China, Germany, France, Australia, India, Singapore and Japan. These openings constituted a substantial expansion of our international presence, which, prior to 2002, consisted principally of offices in the United Kingdom and the Netherlands. We have committed resources to the opening and integration of international sales offices and the expansion of international sales and support channels. Our efforts to develop and expand international sales and support channels may not be successful. International sales are subject to many risks, including the following:

- building and maintaining a competitive presence in new markets;
- difficulties in staffing and managing foreign operations;
- difficulties in managing international systems integrators;
- difficulties and expenses associated with complying with a variety of foreign laws;
- difficulties in producing localized versions of our products;
- import and export restrictions and tariffs;
- difficulties in collecting accounts receivable;
- unexpected changes in regulatory requirements;
- currency fluctuations; and
- political and economic instability abroad.

Seasonal fluctuations may arise from the lower sales that typically occur during the summer months in Europe and other parts of the world.

Our operating results may include foreign currency gains and losses. Due to our international operations, we conduct a portion of our business in currencies other than the United States dollar. Our revenues and operating results are positively affected when the dollar weakens in relation to other currencies but are negatively affected when the dollar strengthens in relation to other currencies. Fluctuations in the value of other currencies can significantly affect our revenues, expenses and operating results.

Our operating results are substantially dependent on one line of business. We continue to derive our revenues from sales of our software and related services and hardware. Any factor adversely affecting the markets for SCM solutions could have an adverse effect on our business, financial condition and results of operations. Accordingly, our future operating results will depend on the demand for our products and related services and hardware by our customers, including new and enhanced releases that we subsequently introduce. We cannot assure you that the market will continue to demand our current products or that we will be successful in marketing any new or enhanced products. If our competitors release new products that are superior to our products in performance or price, demand for our products may decline. A decline in demand for our products as a result of competition, technological change or other factors would reduce our total revenues and harm our ability to maintain profitability.

Our research and development activities may not generate significant returns. Developing our products and software is costly, and recovering our investment in product development may take a lengthy amount of time, if it occurs at all. We anticipate continuing to make significant investments in software research and development and

related product opportunities because we believe that we must continue to allocate a significant amount of resources to our research and development activities in order to compete successfully. We cannot estimate with any certainty when we will, if ever, receive significant revenues from these investments.

Our failure to manage the growth of our operations may adversely affect us. We plan to continue to increase the scope of our operations domestically and internationally. This growth may place a significant strain on our management systems and resources. If we are unable to manage our growth effectively, our business, financial condition and results of operations will be adversely affected. We may further expand domestically or internationally through internal growth or through acquisitions of related companies and technologies. For us to effectively manage our growth, we must continue to:

- maintain continuity in our executive officers;
- improve our operational, financial and management controls;
- improve our reporting systems and procedures;
- enhance management and information control systems;
- develop the management skills of our managers and supervisors; and
- attract, retain, train and motivate our employees.

Our inability to attract, integrate and retain management and other personnel may adversely affect us. Our success greatly depends on the continued service of our executives, as well as our other key senior management, technical and sales personnel. Our success will depend on the ability of our executive officers to work together as a team. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel particularly if they are lost to competitors could impair our ability to grow our business. We do not maintain key man life insurance on any of our executive officers.

Our future success will depend in large part upon our ability to attract, retain and motivate highly skilled employees. We face significant competition for individuals with the skills required to perform the services we offer, and thus we may encounter increased compensation costs that are not offset by increased revenue. We cannot assure you that we will be able to attract and retain sufficient numbers of these highly skilled employees or to motivate them. Because of the complexity of the SCM market, we may experience a significant time lag between the date on which technical and sales personnel are hired and the time at which these persons become fully productive.

Fluctuations in our hardware sales may adversely affect us. A portion of our revenue in any period is comprised of the resale of a variety of third-party hardware products to purchasers of our software. Our customers may choose to purchase this hardware directly from manufacturers or distributors of these products. We view sales of hardware as non-strategic. We perform this service to our customers seeking a single source for their supply chain execution needs. Hardware sales are difficult to forecast and fluctuate from quarter to quarter, leading to unusual comparisons of total revenue and fluctuations in profits. If we are not able to increase our revenue from software licenses and services or maintain our hardware revenue, our profitability may be adversely affected.

Our employee retention and hiring may be hindered by immigration restrictions. Foreign nationals who are not U.S. citizens or permanent residents constitute a significant part of our professional U.S. workforce. Our ability to hire and retain these workers, and their ability to remain and work in the U.S. are impacted by laws and regulations as well as by processing procedures of various government agencies. Changes in laws, regulations or procedures may adversely affect our ability to hire or retain such workers and may affect our costs of doing business and/or our ability to deliver services.

Our growth is dependent upon the successful development of our direct and indirect sales channels. We believe that our future growth also will depend on developing and maintaining successful strategic relationships with systems integrators and other technology companies. Our strategy is to continue to increase the proportion of customers served through these indirect channels. We are currently investing, and plan to continue to invest, significant resources to develop these indirect channels. This investment could adversely affect our operating results if these efforts do not generate license and service revenue necessary to offset this investment. Also, our inability to partner with other technology companies and qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels will reduce our consulting service revenues, as the third-party systems integrators provide these services. As indirect sales increase, our direct contact with our customer base will decrease, and we may have more difficulty accurately forecasting sales, evaluating customer satisfaction and recognizing emerging customer requirements. In addition, these systems integrators and third-party software providers may develop, acquire or market

products competitive with our products.

Our strategy of marketing our products directly to customers and indirectly through systems integrators and other technology companies may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent different systems integrators target the same customers, systems integrators may also come into conflict with each other. Any channel conflicts that develop may have a material adverse effect on our relationships with systems integrators or harm our ability to attract new systems integrators.

Our technology must be advanced if we are to remain competitive. The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, changes in customer demands and evolving industry standards. Our existing products could be rendered obsolete if we fail to continue to advance our technology. We have also found that the technological life cycles of our products are difficult to estimate, partially because of changing demands of other participants in the supply chain. We believe that our future success will depend upon our ability to continue to enhance our current product line while we concurrently develop and introduce new products that keep pace with competitive and technological developments. These developments require us to continue to make substantial product development investments. Although we are presently developing a number of product enhancements to our product sets, we cannot assure you that these enhancements will be completed on a timely basis or gain customer acceptance.

Our liability to clients may be substantial if our systems fail. Our products are often critical to the operations of our customers businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurer may disclaim coverage as to any future claim. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurer imposes premium increases, large deductibles or co-insurance requirements on us, our business and results of operations could be adversely affected.

Our software may contain undetected errors or bugs, resulting in harm to our reputation and operating results. Software products as complex as those offered by us might contain undetected errors or failures when first introduced or when new versions are released. We cannot assure you, despite testing by us and by current and prospective customers, that errors will not be found in new products or product enhancements after commercial release. Any errors found could cause substantial harm to our reputation, result in additional unplanned expenses to remedy any defects, delay the introduction of new products and/or cause a loss in revenue. Further, such errors could subject us to claims from our customers for significant damages, and we cannot assure you that courts would enforce the provisions in our customer agreements that limit our liability for damages.

Our failure to adequately protect our proprietary rights may adversely affect us. Our success and ability to compete is dependent in part upon our proprietary technology. We cannot assure you that we will be able to protect our proprietary rights against unauthorized third-party copying or use. We rely on a combination of copyright, trademark and trade secret laws, as well as confidentiality agreements, licensing arrangements, and contractual commitments, to establish and protect our proprietary rights. Despite our efforts to protect our proprietary rights, existing copyright, trademark and trade secret laws afford only limited protection. In addition, the laws of certain foreign countries do not protect our rights to the same extent, as do the laws of the United States. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Any infringement of our proprietary rights could negatively impact our future operating results. Furthermore, policing the unauthorized use of our products is difficult, and litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and could negatively impact our future operating results.

Our liability for intellectual property claims can be costly and result in the loss of significant rights. It is possible that third parties will claim that we have infringed their current or future products. We expect that SCM software developers like us will increasingly be subject to infringement claims as the number of products grows. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require us to pay monetary damages or to enter into royalty or licensing agreements, any of which could negatively impact our operating results. We cannot assure you that these royalty or licensing agreements, if required, would be available on terms acceptable to us, if at all. We cannot assure you that legal action claiming patent infringement will not be commenced against us, or that we would prevail in litigation given the complex technical issues and inherent uncertainties in patent litigation. If a patent claim against us was successful and we could not obtain a license on

acceptable terms or license a substitute technology or redesign to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software.

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Our business and our profitability may be adversely affected if we cannot integrate acquired companies. We may from time to time acquire companies with complementary products and services. These acquisitions will expose us to increased risks and costs, including the following:

- difficulties in assimilating new operations and personnel;
- diverting financial and management resources from existing operations; and
- difficulties in integrating acquired technologies.

We may not be able to generate sufficient revenue from any of these acquisitions to offset the associated acquisition costs. We will also be required to maintain uniform standards of quality and service, controls, procedures and policies. Our failure to achieve any of these standards may hurt relationships with customers, employees and new management personnel. In addition, future acquisitions may result in additional issuances of stock that could be dilutive to our shareholders.

We may also evaluate joint venture relationships with complementary businesses. Any joint venture we enter into would involve many of the same risks posed by acquisitions, particularly the following:

- risks associated with the diversion of resources;
- the inability to generate sufficient revenue;
- the management of relationships with third parties; and
- potential additional expenses.

Many acquisition candidates have significant intangible assets, and an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. Goodwill and certain other intangible assets are not amortized to income, but are subject to at least annual impairment reviews. If the acquisitions do not perform as planned, future charges to income arising from such impairment reviews could be significant. Likewise, future quarterly and annual earnings could be significantly adversely affected. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges.

Our business may require additional capital. We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be impacted by many factors, including:

- demand for our products;
- the timing of and extent to which we invest in new technology;
- the timing of and extent to which we acquire other companies;
- the level and timing of revenue;
- the expenses of sales and marketing and new product development;
- the success and related expense of increasing our brand awareness;
- the cost of facilities to accommodate a growing workforce;
- the extent to which competitors are successful in developing new products and increasing their market share; and
- the costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our company by our current shareholders would be diluted.

Our stock price has been highly volatile. The trading price of our common stock has fluctuated significantly since our initial public offering in April 1998. In addition, the trading price of our common stock could be subject to wide fluctuations in response to various factors, including:

- quarterly variations in operating results;

- announcements of technological innovations or new products by us or our competitors;

- developments with respect to patents or proprietary rights; and

- changes in financial estimates by securities analysts.

In addition, the stock market has experienced volatility that has particularly affected the market prices of equity securities of many technology companies and that often has been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock.

Our articles of incorporation and bylaws and Georgia law may inhibit a takeover of our company. Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover of our company. These provisions might discourage, delay or prevent a change in the control of our company or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

Item 1B. *Unresolved Staff Comments*

As of December 31, 2007, we do not have any unresolved written comments which we received from the SEC not less than 180 days before December 31, 2007.

Item 2. *Properties*

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 176,000 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through September 30, 2018. We have additional offices throughout the United States under multi-year agreements in California, Massachusetts, and Indiana. We also occupy facilities outside of the United States under multi-year agreements in the United Kingdom, the Netherlands, Japan, China, Singapore, India and Australia. We also occupy offices under short-term agreements in other geographical regions. We believe our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future.

Item 3. *Legal Proceedings*

From time to time, we are party to various legal proceedings arising in the ordinary course of business. The Company is not currently a party to any other legal proceeding the result of which it believes could have a material adverse impact upon its business, financial position or results of operations.

Many of our installations involve products that are critical to the operations of our clients businesses. Any failure in our products could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to limit contractually our liability for damages arising from product failures or negligent acts or omissions, there can be no assurance the limitations of liability set forth in our contracts will be enforceable in all instances.

Item 4. *Submission of Matters to a Vote of Security Holders*

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2007.

Item 5. *Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

Our common stock is traded on the Nasdaq Global Select Market under the symbol MANH . The following table sets forth the high and low closing sales prices of the common stock as reported by the Nasdaq Global Select Market for the periods indicated:

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Fiscal Period	High Price	Low Price
2007		
First Quarter	$30.16	$26.18
Second Quarter	30.45	26.54
Third Quarter	30.67	25.19
Fourth Quarter	30.16	24.93
2006		
First Quarter	$22.46	$20.74
Second Quarter	21.90	18.52
Third Quarter	25.49	18.05
Fourth Quarter	30.81	23.60

On February 21, 2008, the last reported sales price of our common stock on the Nasdaq National Market was $22.85 per share. The number of shareholders of record of our common stock as of February 21, 2008 was approximately 39.

We do not intend to declare or pay cash dividends in the foreseeable future. Our management anticipates that all earnings and other cash resources, if any, will be retained for investment in our business.

The following table provides information regarding our current equity compensation plans as of December 31, 2007:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	6,157,307	$ 25.87	1,969,766
Equity compensation plans not approved by security holders			
Total	6,157,307	$ 25.87	1,969,766

Additional information regarding our equity compensation plans can be found in Note 2 of the Notes to our Consolidated Financial Statements.

The following table provides information regarding our common stock repurchases under our publicly-announced repurchase program for the quarter ended December 31, 2007. All repurchases were made on the open market.

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Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 - October 31, 2007	86,076	$ 29.22	86,076	$ 47,485,101
November 1 - November 30, 2007	741,985	$ 27.83	741,985	$ 26,835,294
December 1 - December 31, 2007	67,999	$ 26.99	67,999	$ 25,000,019
Total	896,060	$ 27.90	896,060	$ 25,000,019

(1) On April 25, 2007, it was announced that Manhattan Associates Board of Directors increased the Company s remaining repurchase authority to $75 million. On October 23, 2007, it was announced that the Board of Directors increased the Company s remaining repurchase authority to $50 million.

Item 6. ***Selected Financial Data***

You should read the following selected consolidated financial data in conjunction with our Consolidated Financial Statements and related Notes thereto and with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2007, 2006 and 2005, and the balance sheet data as of December 31, 2007 and 2006, are derived from,

and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of income data for the years ended December 31, 2004, and 2003 and the balance sheet data as of December 31, 2005, 2004, and 2003 are derived from the audited financial statements not included herein. Historical results are not necessarily indicative of results to be expected in the future.

	Year Ended December 31, (in thousands, except per share data)				
	2003	**2004**	**2005**	**2006**	**2007**
Statement of Income Data:					
License revenue	$ 43,229	$ 49,886	$ 57,119	$ 66,543	$ 73,031
Total revenue	$196,814	$214,919	$246,404	$288,868	$337,401
Operating income	$ 30,494	$ 31,609	$ 30,277	$ 30,755	$ 43,058
Net income	$ 20,581	$ 21,634	$ 18,635	$ 19,331	$ 30,751
Earnings per diluted share	$ 0.67	$ 0.70	$ 0.64	$ 0.69	$ 1.13

	December 31, (In thousands)				
	2003	**2004**	**2005**	**2006**	**2007**
Balance Sheet Data:					
Cash, cash equivalents and investments	$155,403	$172,656	$ 93,675	$131,057	$ 72,772
Total assets	$266,608	$290,239	$ 273,398	$314,893	$271,660
Debt	$ 288	$ 148	$	$	$
Shareholders equity	$224,158	$239,017	$ 205,398	$237,140	$185,705

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

All statements, trend analyses and other information contained in the following discussion relative to markets for our products and trends in revenue, gross margins and anticipated expense levels, as well as other statements including words such as anticipate, believe, plan, estimate, expect, and intend and other similar expressions forward-looking statements. These forward-looking statements are subject to business and

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economic risks and uncertainties, including those discussed under the caption Risk Factors in Item 1A of this Form 10-K, and our actual results of operations may differ materially from those contained in the forward-looking statements.

Business Overview

We are a leading developer and provider of supply chain solutions that help organizations optimize the effectiveness, efficiency, and strategic advantages of their supply chains. Our business is organized into three geographical reporting segments: Americas (North America and Latin America), EMEA (Europe, Middle East and Africa), and APAC (Asia Pacific). Each of these reporting segments has unique characteristics and faces different challenges and opportunities. In each of these segments, we provide solutions that consist of software, services and hardware, that coordinate people, workflows, assets, events and tasks holistically across the functions linked in a supply chain from planning through execution. These solutions also help coordinate the actions, data exchange and communication of participants in supply chain ecosystems, such as manufacturers, suppliers, distributors, trading partners, transportation providers, channels (such as catalogers, store retailers and Web outlets) and consumers.

Our solutions are designed to help organizations optimize their supply chain operations holistically, from planning through execution. We call our portfolio of supply chain software solutions Manhattan SCOPE™ (**S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution). SCOPE includes our five supply chain solution suites Planning and Forecasting, Inventory Optimization, Order Lifecycle Management, Transportation Lifecycle Management and Distribution Management. For all of our solution suites, we offer services such as design, configuration, implementation, product assessment and training plus customer support and software enhancement subscriptions.

For additional information regarding our supply chain software solutions, please refer to the Software Solutions section under Item 1, *Business.*

Application of Critical Accounting Policies and Estimates

The SEC defines critical accounting policies as those that require application of management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. We believe that estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. To the extent there are material differences between those estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions which we have identified as our critical accounting policies are: Revenue Recognition, Allowance for Doubtful Accounts, Valuation of Goodwill, Accounting for Income Taxes, Stock-based Compensation, and Business Combinations.

Revenue Recognition

Our revenue consists of revenues from the licensing and hosting of software, fees from implementation and training services (collectively, professional services), plus customer support services and software enhancements, and sales of hardware and other (other consists of reimbursements of out of pocket expenses incurred by professional services). All revenue is recognized net of any related sales taxes.

We recognize license revenue under Statement of Position No. 97-2, Software Revenue Recognition (SOP 97-2), as amended by Statement of Position No. 98-9, Software Revenue Recognition, With Respect to Certain Transactions (SOP 98-9), specifically when the following criteria are met: (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collectibility is probable. SOP 98-9 requires recognition of revenue using the residual method when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for

using long-term contract accounting; (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement; and (3) all revenue-recognition criteria in SOP 97-2, other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. For those contracts that contain significant customization or modifications, license revenue is recognized using contract accounting.

The accounting related to license revenue recognition in the software industry is complex and affected by interpretations of the rules which are subject to change. Our judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience and economic market conditions. If market conditions decline, or if the financial condition of our customers deteriorates, we may be unable to determine that collectibility is probable, and we could be required to defer the recognition of revenue until we receive customer payments.

Our services revenue consists of fees generated from professional services, customer support services and software enhancements related to our software products. Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. Professional services are sometimes rendered under agreements in which billings are limited to contractual maximums or based upon a fixed-fee for portions of or all of the engagement. Revenue related to fixed-fee based contracts is recognized on a proportional performance basis based on the hours incurred on discrete projects within an overall services arrangement. Project losses are provided for in their entirety in the period in which they become known. Revenue related to customer support services and software enhancements are generally paid in advance and recognized ratably over the term of the agreement, typically 12 months.

Hardware and other revenue is generated from the resale of a variety of hardware products, developed and manufactured by third parties that are integrated with and complementary to our software solutions. As part of a complete solution, our customers periodically purchase hardware from us in conjunction with the licensing of software. These products include computer hardware, radio frequency terminal networks, radio frequency identification (RFID) chip readers, bar code printers and scanners and other peripherals. Hardware revenue is recognized upon shipment to the customer when title passes. We generally purchase hardware from our vendors only after receiving an order from a customer. As a result, we do not maintain significant hardware inventory.

In accordance with the Financial Accounting Standard Board s (FASB s) Emerging Issues Task Force (EITF) Issue No. 01-14 (EITF No. 01-14), Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred, we recognize amounts associated with reimbursements from customers for out-of-pocket expenses as revenue. Such amounts have been included in hardware and other revenue. The total amount of expense reimbursement recorded to revenue was $13.0 million, $9.7 million and $8.1 million and for 2007, 2006, and 2005, respectively.

Allowance for Doubtful Accounts

We continuously monitor collections and payments from our customers and maintain an allowance for estimated credits based upon our historical experience and any specific customer collection issues that we have identified. Additions to the allowance for doubtful accounts generally represent a sales allowance on services revenue, which are recorded to operations as a reduction to services revenue. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Valuation of Goodwill

In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill and other intangible assets with indefinite lives. Our goodwill is subject to an annual impairment test, which requires us to estimate the fair value of our business compared to the carrying value. The impairment reviews require an analysis of future projections and assumptions about our operating performance. Should such review indicate the assets are impaired, we would record an expense for the impaired assets.

Annual tests or other future events could cause us to conclude that impairment indicators exist and that our goodwill is impaired. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to take a charge to income for that portion of goodwill that we believed was impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. At December 31, 2007, our goodwill balance was $62.3 million.

Accounting for Income Taxes

We provide for the effect of income taxes on our financial position and results of operations in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this accounting pronouncement, income tax expense is recognized for the amount of income taxes payable or refundable for the current year and for the change in net deferred tax assets or liabilities resulting from events that are recorded for financial reporting purposes in a different reporting period than recorded in the tax return. Management must make significant assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset.

Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, allowable deductions, projected tax credits and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our financial position and results of operations. Our assumptions, judgments and estimates relative to the value of our net deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate, thus materially impacting our financial position and results of operations.

On January 1, 2007, we adopted the provisions of FASB Interpretation No 48, Accounting for Uncertainty in Income Taxes (FIN 48). As a result of the implementation of FIN 48, we recognized an increase of $2.6 million in the gross liability for unrecognized tax benefits, and recorded a corresponding deferred tax asset for future benefits of $0.7 million, with the net amount of $1.9 million accounted for as a decrease to the January 1, 2007 balance of retained earnings. As of the date of adoption and after the impact of recognizing the increase in liability noted above, our unrecognized tax benefits totaled $7.6 million, of which $6.0 million, if recognized, would affect the effective tax rate.

Stock-based compensation

Prior to January 1, 2006, we accounted for our employee stock option plan under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. No stock-based employee compensation cost related to stock options was recognized in the Statements of Income for periods prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) for stock based compensation. As a result of adopting SFAS No. 123(R), our income before income taxes for 2007 and 2006 was $4.3 million and $6.6 million lower, respectively, and net income for 2007 and 2006 was $2.8 million and $5.3 million lower, respectively than if we had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were $0.11 and $0.10 lower in 2007, respectively, and each $0.19 lower in 2006 than if we had continued to account for share-based compensation under APB Opinion No. 25.

We estimate the fair value of options granted on the date of grant using the Black-Scholes option pricing model. We base our estimate of fair value on certain assumptions, including the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term, and the risk-free interest rate for the expected term of the option. We base our expected volatilities on a combination of the historical volatility of our stock and the implied volatility of publicly traded options (issued by third party) for our common stock. Due to the limited trading volume of publicly traded options for our common stock, we place a greater emphasis on historical volatility of our common stock. We

also use historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. We base the risk-free interest rate on the rate for U.S. Treasury zero-coupon issues with a term approximating the expected term.

We recognize compensation cost for awards with graded vesting using the straight-line attribution method, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. Compensation cost recognized in any period is impacted by the number of stock options granted and the vesting period (which generally is four years), as well as the underlying assumptions used in estimating the fair value on the date of grant. This estimate is dependent upon a number of variables such as the number of options awarded, cancelled or exercised and fluctuations in our share price during the year.

Business Combinations

In accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets include but are not limited to future expected cash flows from customer contracts and acquired developed technologies; the acquired company s brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company s product portfolio; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

In connection with purchase price allocations, we estimate the fair value of the support obligations assumed in connection with acquisitions. The estimated fair value of the support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services and to correct any errors in the software products acquired. We do not include any costs associated with selling efforts, when and if available upgrades, or research and development or the related fulfillment margins on these costs. Profit associated with selling effort is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation.

Recent Accounting Developments

Adoption of SFAS No. 123(R). Prior to January 1, 2006, we accounted for our employee stock option plan under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. No stock-based employee compensation cost related to stock options was recognized in the Statements of Income for periods prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective transition method. Under that transition method, compensation cost recognized on or after January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for all prior periods have not been restated. Prior to the adoption of SFAS No. 123(R), we presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires that cash flows resulting from the tax benefits generated by tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows.

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As a result of adopting SFAS No. 123(R) on January 1, 2006, our income before income taxes for 2007 and 2006 was $4.3 million and $6.6 million lower, respectively, and net income for 2007 and 2006 was $2.8 million and $5.3 million lower, respectively than if we had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were $0.11 and $0.10 lower in 2007 and each measure was $0.19 lower in 2006 than if we had continued to account for share-based compensation under APB Opinion No. 25.

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on certain assumptions, including the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term, and the risk-free interest rate for the expected term of the option. Effective January 1, 2006, expected volatilities are based on a combination of historical volatility of our stock and implied volatility of publicly traded options for our common stock. Due to the limited trading volume of publicly traded options for our common stock, we place a greater emphasis on historical volatility of our common stock. Previously, we had relied exclusively on historical volatility, disregarding periods of time in which our share price was extraordinarily volatile because of company-specific circumstances that were not expected to recur. We also use historical data to estimate the term that options are expected to be outstanding and the forfeiture rate of options granted. The risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a term approximating the expected term. The weighted-average grant-date fair value of options granted during 2007, 2006, and 2005 was $11.16, $11.26, and $11.72, respectively. We recognize compensation cost for awards with graded vesting using the straight-line attribution method, with the amount of compensation cost recognized at any date at least equal to the portion of the grant-date value of the award that is vested at that date. At December 31, 2007, the unamortized compensation cost related to stock option awards totaled $10.1 million, which is expected to be recognized over a weighted-average period of 1.6 years.

In 2007, our shareholders approved a new Stock Incentive Plan. In conjunction with the adoption of the new plan, the Company lowered its annual stock options granted by approximately 50% and began to issue restricted stock awards; consequently stock option expense decreased $2.4 million in 2007 and restricted stock expense increased $1.8 million.

During the fourth quarter of 2005, the Board of Directors approved an Option Acceleration Agreement that accelerated the vesting of unvested stock options held by our employees with an exercise price of $22.09 or higher. The accelerated vesting affected options for approximately 765 option holders, representing 1.9 million shares of our common stock. In order to prevent unintended personal benefits to individuals resulting from the accelerated vesting of options, we imposed sales restrictions on shares acquired upon exercise of these options that parallel the vesting requirements of the original options. These sales restrictions on the shares acquired continue following termination of employment until the original vesting dates are reached.

The accelerated vesting of these stock options with exercise prices greater than the then-current market value referred to as out-of-the-money or underwater options was made primarily to avoid recognizing compensation expense in our future income statements upon the adoption of SFAS No. 123(R) for underwater options that we believed would not offer a sufficient incentive to our employees when compared to the future compensation expense that we would have incurred under SFAS No. 123(R).

Compensation cost recognized in any period is impacted by the number of stock options granted and the vesting period (which generally is four years), as well as the underlying assumptions used in estimating the fair value on the date of grant. This estimate is dependent upon a number of variables such as the number of options awarded, cancelled or exercised and fluctuations in our share price during the year.

Adoption of FIN 48. On January 1, 2007, we adopted the provisions of FASB Interpretation No 48, Accounting for Uncertainty in Income Taxes (FIN 48). As a result of the implementation of FIN 48, we recognized an increase of $2.6 million in the gross liability for unrecognized tax benefits, and recorded a corresponding deferred tax asset for future benefits of $0.7 million, with the net amount of $1.9 million accounted for as a decrease to the January 1, 2007 balance of retained earnings. As of the date of adoption and after the impact of recognizing the increase in liability noted above, our unrecognized tax benefits totaled $7.6 million, of which $6.0 million, if recognized, would affect the effective tax rate.

Acquisition. On August 31, 2005, we acquired Evant, Inc. through a merger whereby Evant became a wholly-owned subsidiary of the Company. Evant is a provider of demand planning and forecasting and replenishment

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solutions to customers in the retail, manufacturing and distribution industries. The acquisition further diversified our product suite and expands our customer base. We paid an aggregate of $47.2 million in cash, and incurred $0.3 million in acquisition costs and $0.8 million of severance to eliminate duplicative functions. The $47.2 million includes $2.3 million of bonuses paid to employees not retained by us pursuant to an employee bonus plan approved by Evant s management. In addition to the $47.2 million cash paid, we paid $2.8 million into escrow at closing for employee retention purposes pursuant to the Evant bonus plan to be distributed to employees upon completion of up to 12 months of service with us. The $2.8 million was recorded as a prepaid asset, and compensation expense was recognized ratably over the required employee retention period. During the third quarter of 2006, we completed the Evant retention bonus program and paid out the final bonuses.

The acquisition of Evant was accounted for using the purchase method of accounting in accordance with SFAS No. 141, Business Combinations. The operating results of Evant are included in our financial statements beginning September 1, 2005.

During 2007, we completed the analysis of the post-acquisition limitations on the use of Evant s deferred tax assets. As a result, we recorded $8.3 million of deferred tax assets and reduced goodwill mainly for deductible research and development costs previously capitalized by Evant for tax purposes.

Impairment Charge. In July 2003, we invested $2.0 million in a technology company. Based on our assessment of uncertainties associated with the fair value of our investment following an unsuccessful public offering during the third quarter of 2006, we have written down our investment by $0.3 million. Future impairment charges associated with this investment may be required in the event this company is unable to meet its strategic growth objectives.

Legal Settlements. During the fourth quarter of 2006, we recorded $2.9 million pre tax ($2.5 million after tax, or $0.09 per fully diluted share) in legal settlement costs related to two litigation matters, one with a large German customer and one with a domestic customer regarding implementation of warehouse management systems. In both litigation matters, a settlement was reached in January 2007. The recorded charges represent our portion of the settlement agreed to with our insurance carrier.

Highlights of Full Year 2007 Consolidated Financial Results

Summarized highlights for the full year 2007 results, as compared to 2006, are:

- Total revenue increased 17% to $337.4 million;
  - o License revenue increased 10% to $73.0 million;
  - o Services revenue increased 16% to $226.2 million;
- Operating income was $43.1 million, up 40% on higher license revenue; 2007 and 2006 includes $4.3 million and $6.6 million, respectively, of SFAS No. 123(R) stock option expense;
- Diluted earnings per share was $1.13, increasing 64%;
- Cash flow from operations was $38.3 million;
- Cash and investments on hand at December 31, 2007 was $72.8 million; and
- The Company repurchased 3,562,619 shares of common stock during the year totaling $99.9 million at an average price of $28.05. As of December 31, 2007, the Company had approximately $25.0 million remaining in share repurchase authority.

Results of Operations

The following table summarizes selected financial data for the years ended December 31, 2007, 2006 and 2005. The 2007 and 2006 results include the adoption of SFAS 123(R):

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	Year Ended December 31,				
				% Change	
	2007	2006	2005	2007 to 2006	2006 to 2005
		(in thousands)			
Revenue:					
License	$ 73,031	$ 66,543	$ 57,119	10%	16%
Services	226,153	194,521	166,091	16%	17%
Hardware and other	38,217	27,804	23,194	37%	20%
Total revenue	337,401	288,868	246,404	17%	17%
Costs and expenses: (1)					
Cost of license	5,334	5,796	4,700	-8%	23%
Cost of services	109,758	93,427	76,641	17%	22%
Cost of hardware and other	32,268	24,515	19,914	32%	23%
Research and development	46,594	41,468	34,139	12%	21%
Sales and marketing	53,406	45,888	40,302	16%	14%
General and administrative	33,366	29,143	22,047	14%	32%
Depreciation and amortization	13,617	13,247	12,074	3%	10%
Settlements and accounts receivable charges (2)		2,856	2,815	-100%	1%
Severance, restructuring, and acquisition charges (3)		1,503	3,495	-100%	-57%
Impairment charge (4)		270		-100%	
Total costs and expenses	294,343	258,113	216,127	14%	19%
Income from operations	$ 43,058	$ 30,755	$ 30,277	40%	2%
Operating margin	12.8%	10.6%	12.3%		

(1) The results for 2007 and 2006 reflect the adoption of SFAS No. 123(R). During 2007, we recorded stock option expense of $4.3 million which is included in the following line items above: cost of services $0.3 million; research and development $0.7 million; sales and marketing $1.4 million; and general and administrative $1.9 million. During 2006, we recorded stock option expense of

$6.6 million which is included in the following line items above: cost of services $1.5 million; research and development $1.1 million; sales and marketing $1.5 million; and general and administrative $2.5 million. Prior to 2006, we did not record expense for employee stock options. (See Note 2 to Consolidated Financial Statements).

(2) Settlement and accounts receivable charges for 2006 represent legal settlements resulting from disputes over the implementation of our software. In 2005, these charges consisted of a bad debt provision for the entire amount of the accounts receivable due from a large customer with whom we settled in 2006.

(3) Severance, restructuring, and acquisition charges for 2006 includes employee retention bonuses associated with the acquisition of Evant. In 2005, these charges consisted of: (i) $1.9 million of severance-related costs and employee retention bonuses associated with the acquisition of Evant; (ii) approximately $1.1 million in severance-related costs associated with the consolidation of our European operations into the Netherlands, United Kingdom and France; and

(iii) $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close.

(4) The impairment charge for 2006 represents a charge against our $2 million investment in a technology company. Future impairment charges associated with this investment may be required in the event the invested Company is unable to meet its strategic growth objectives.

We manage our business based on three geographic regions: the Americas, EMEA, and APAC. Geographic revenue information is based on the location of sale. During 2007, 2006 and 2005, we derived the majority of our revenues from sales to customers within our Americas region. The following table summarizes revenue and operating profit by region:

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	Year Ended December 31,			% Change	
	2007	2006 (in thousands)	2005	2007 to 2006	2006 to 2005
Revenue:					
License					
Americas	$ 61,708	$ 57,579	$ 48,050	7%	20%
EMEA	9,311	5,285	5,579	76%	-5%
APAC	2,012	3,679	3,490	-45%	5%
Total License	$ 73,031	$ 66,543	$ 57,119	10%	16%
Services					
Americas	$ 187,019	$ 158,603	$ 132,182	18%	20%
EMEA	25,617	20,793	23,064	23%	-10%
APAC	13,517	15,125	10,845	-11%	39%
Total Services	$ 226,153	$ 194,521	$ 166,091	16%	17%
Hardware and other					
Americas	$ 35,595	$ 26,138	$ 20,690	36%	26%
EMEA	1,921	1,273	2,029	51%	-37%
APAC	701	393	475	78%	-17%
Total Hardware and other	$ 38,217	$ 27,804	$ 23,194	37%	20%
Total Revenue					
Americas	$ 284,322	$ 242,320	$ 200,922	17%	21%
EMEA	36,849	27,351	30,672	35%	-11%
APAC	16,230	19,197	14,810	-15%	30%
Total Revenue	$ 337,401	$ 288,868	$ 246,404	17%	17%
Operating income:					
Americas	$ 40,300	$ 32,747	$ 34,720	23%	-6%
EMEA	2,422	(2,817)	(4,353)	186%	35%
APAC	336	825	(90)	-59%	
Total Operating income	$ 43,058	$ 30,755	$ 30,277	40%	2%

The results of our operations for year 2007, 2006, and 2005 are discussed below.

Revenue

Our revenue consists of fees generated from the licensing and hosting of software; fees from professional services, customer support services and software enhancements; and sales of complementary radio frequency and computer

equipment. We believe our revenue growth in the last two years is attributable to several factors, including, among others, our market leadership position as to breadth of product offerings, financial stability and a compelling return on investment proposition for our customers, increased services associated with implementations of our expanded product suite, geographic expansion, and the acquisition of Evant which provided us with a supply chain planning solution.

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	Year Ended December 31,							
				% Change		% of Total Revenue		
	2007	2006	2005	2007 to 2006	2006 to 2005	2007	2006	2005
		(in thousands)						
License	$ 73,031	$ 66,543	$ 57,119	10%	16%	22%	23%	23%
Services	226,153	194,521	166,091	16%	17%	67%	67%	67%
Hardware and other	38,217	27,804	23,194	37%	20%	11%	10%	10%
Total revenue	$ 337,401	$ 288,868	$ 246,404	17%	17%	100%	100%	100%

License revenue

Year 2007 compared with year 2006

License revenue increased 10% in 2007 over 2006 driven by strong growth in our Americas and EMEA segments. Americas license and hosting revenues increased $4.1 million, or 7% and EMEA license revenue increased $4.0 million, or 76%, in 2007 over 2006. This increase was partially offset by a decline in APAC license sales of $1.7 million.

License sales mix across our product suite remained strong with approximately 52% of our sales in our warehouse management solutions and 48% in non-warehouse management solutions in 2007. Revenue from our core warehouse management solutions grew 2% and non-warehouse management solutions grew 20% in 2007 over 2006. From period to period, we continue to see an increase in the diversity of products purchased from us by new and existing customers as our newer products gain greater market acceptance. This diversification is contributing to the fluctuations in the sales mix of our solutions groups.

Year 2006 compared with year 2005

License revenue increased 16% in 2006 over 2005 driven by strong growth in our Americas segment. The Americas license and hosting revenues increased $9.5 million, or 20%, in 2006 over 2005. This increase was partially offset by declines in EMEA license sales of $0.3 million, or 5%. APAC license revenue increased $0.2 million. A number of factors impacted revenue growth in our international segments including continued weakness in the general European economy, particularly in the capital spending environment for large information technology projects. License sales mix across our product suite remained strong with approximately 60% of sales in our warehouse management solutions and 40% in non-warehouse management solutions in 2006. With our expanded suite of supply chain solutions we continued to see solid growth in both our core warehouse management solutions with 20% growth and non-warehouse management solutions with 12% growth in 2006 over 2005.

Services revenue

Year 2007 compared with year 2006

Services revenue increased $31.6 million, or 16% in 2007 over 2006 principally due to a 16% increase of professional services revenue required to implement larger projects, increased license sales and existing customer upgrades to more current versions of our offerings and a 15% increase in revenue from software enhancement agreements. The Americas segment led the growth with an increase in services revenue of $28.4 million, or 18%, from 2006 to 2007. Services revenue in EMEA also increased by $4.8 million, or 23%, from 2006 to 2007. These increases were partially offset by a decrease in APAC services revenue of $1.6 million, from 2006 to 2007 due to the lack of large license deals closed in 2007.

Year 2006 compared with year 2005

Services revenue increased 17% in 2006 over 2005 principally due to a 16% increase of professional services revenue required to implement larger projects, increased license sales and existing customer upgrades to more current

versions of our offerings and a 20% increase in revenue from software enhancement subscription agreements. The Americas segment led the growth with an increase in services revenue of $26.4 million, or 20%,

from 2005 to 2006. Services revenue in APAC also increased by $4.3 million, or 39%, from 2005 to 2006. These increases were offset by a decrease in EMEA services revenue of $2.3 million, or 10%, from 2005 to 2006 due to the lack of large license deals closed in the first three quarters of 2006.

Over the past several years, we have experienced pricing pressures with regard to our services. We believe that the pricing pressures are attributable to global macro-economic conditions and competitive pressures. Our services revenue growth has been and will likely continue to be affected by the mix of products sold. In our traditional warehouse management solutions, we see a continued shift to open source solutions moving away from the System i (iSeries, AS/400). Further, the individual engagements involving our non-warehouse management solutions typically require less implementation services; however, the number of engagements continues to grow.

Hardware and other

Sales of hardware increased $7.0 million, or 39% in 2007 over 2006. Sales of hardware increased $2.9 million, or 20% in 2006 over 2005. Over 90% of this revenue is generated from the Americas segment. Sales of hardware is largely dependent upon customer-specific desires, which fluctuate. Reimbursements for out-of-pocket expenses are required to be classified as revenue and are included in hardware and other revenue. For 2007, 2006 and 2005, reimbursements by customers for out-of-pocket expenses were approximately $13.0 million, $9.7 million and $8.1 million, respectively.

Cost of Revenue

	Year Ended December 31,			% Change	
	2007	2006	2005	2007 to 2006	2006 to 2005
		(in thousands)			
Cost of license	$ 5,334	$ 5,796	$ 4,700	-8%	23%
Cost of services	109,758	93,427	76,641	17%	22%
Cost of hardware and other	32,268	24,515	19,914	32%	23%
Total cost of revenue	$ 147,360	$ 123,738	$ 101,255	19%	22%

Cost of License

Cost of license consists of the costs associated with software reproduction; hosting services; funded development; media, packaging and delivery, documentation and other related costs; and royalties on third-party software sold with or as part of our products. Cost of license decreased $0.5 million, or 8% to $5.3 million in 2007. Cost of licenses increased $1.1 million, or 23%, in 2006 compared with 2005. The increase in cost of license in 2006 is attributable to a 16% increase in license revenue, which drove increases in royalties expense and hosting service costs.

Cost of Services

Cost of services consists primarily of salaries and other personnel-related expenses of employees dedicated to professional and technical services and customer support services. The increase in cost of services in 2007 and 2006 was primarily due to increases in salary-related costs resulting from: (i) a 22% and 21% increase, respectively, in the average number of personnel dedicated to the delivery of professional services; (ii) an increase of $2.7 million and $1.3 million, respectively, in bonus expense based on our cumulative performance relative to internal plans; and (iii) $1.5 million of stock option expense in 2006 due to the adoption of SFAS No. 123(R) on January 1, 2006. In 2007, stock compensation expense decreased $1.1 million due to completed expense vesting of options issued prior to 2006 combined with a reduction in stock awards granted.

The services gross margin decreased 60 basis points and 190 basis points to 51.4% and 52.0% in 2007 and 2006, respectively. The reduction in the services gross margin in 2007 was caused by the more intricate services work required as our sales mix shifts from our heritage System i platform to our Open Systems platform. The

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decrease in the services gross margin in 2006 was attributable to the $1.5 million of incremental stock option expense as well as further investment in new product implementations. The implementation of our newer products is more costly due to the lower maturity level of the product and integration requirements with multiple third party hardware and software products.

Cost of Hardware and other

Cost of hardware increased to approximately $19.2 million, $14.8 million, and $11.9 million in 2007, 2006 and 2005, respectively, as a direct result of increase in sales of hardware. Cost of hardware and other includes out-of-pocket expenses to be reimbursed by customers of approximately $13.0 million, $9.7 million and $8.1 million for 2007, 2006 and 2005, respectively. The increase in reimbursed out-of-pocket expenses is due to increased travel related to the increase in services projects.

Operating Expenses

	Year Ended December 31,					
				% of Revenue		
	2007	2006	2005	2007	2006	2005
		(in thousands)				
Research and development	$46,594	$41,468	$34,139	14%	14%	14%
Sales and marketing	53,406	45,888	40,302	16%	16%	16%
General and administrative	33,366	29,143	22,047	10%	10%	9%
Depreciation and amortization	13,617	13,247	12,074	4%	5%	5%
Settlement and accounts receivable charges		2,856	2,815	0%	1%	1%
Severance, restructuring, and acquisition charges		1,503	3,495	0%	1%	1%
Impairment charge		270		0%	0%	0%

Research and Development

Research and development expenses primarily consist of salaries and other personnel-related costs for personnel involved in our research and development activities. Research and development expenses increased $5.1 million, or 12% in 2007 primarily attributable to: (i) increases in the number of personnel dedicated to ongoing research and development activities (the number of research and development personnel increased 8% to 772 at December 31, 2007 as compared to 713 at December 31, 2006) and (ii) $1.2 million in bonus expense.

The increase in research and development expenses in 2006 is principally attributable to: (i) $1.1 million of stock compensation expense in 2006 resulting from the adoption of SFAS No. 123(R) on January 1, 2006 (ii) increases in the number of personnel dedicated to ongoing research and development activities (the number of research and development personnel increased 20% to 713 at December 31, 2006 as compared to 592 at December 31, 2005); (iii) annual compensation increases for 2006 and 2005, effective January 1, 2006 and May 1, 2005, respectively; and (iv) increases in contract labor expense relating to development in the planning and replenishment area.

Our principal research and development activities during 2007, 2006 and 2005 focused on the expansion and integration of new products acquired and new product releases and expanding the product footprint of our supply chain optimization solutions called **S**upply **C**hain **O**ptimization from **P**lanning through **E**xecution. The Manhattan SCOPE Platform provides not only a sophisticated service oriented architecture based application framework, but a platform that facilitates the integration with Enterprise Resource Planning (ERP) and other supply chain solutions.

For the years ended December 31, 2007, 2006, and 2005, we capitalized no research and development costs because the costs incurred following the attainment of technological feasibility for the related software product through the date of general release were insignificant.

Sales and Marketing

Sales and marketing expenses include salaries, commissions, travel and other personnel-related costs of sales and marketing personnel and the costs of our marketing and alliance programs and related activities. Sales and marketing expenses increased $7.5 million, or 16% and $5.6 million, or 14% in 2007 and 2006, respectively. The incremental sales and marketing expense are primarily attributable to: (i) $3.3 million and $1.5 million increase in compensation in 2007 and 2006, respectively, caused by increase in sales and marketing headcount; (ii) $1.5 million and $1.0 million increase in bonus and incentive compensation expense in 2007 and 2006, respectively, relating to the higher license fees in 2007; (iii) $1.1 million and $1.0 million increase in travel and travel-related expenses in 2007 and 2006, respectively; (iv) $0.7 million increase in our marketing programs in 2007; and (vi) $1.9 million and $1.5 million of stock compensation expense in 2007 and 2006, respectively, resulting from the adoption of SFAS No. 123(R) on January 1, 2006.

General and Administrative

General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources, information technology and administrative personnel, as well as facilities, legal, insurance, accounting and other administrative expenses. The increase in general and administrative expenses of $4.2 million from 2006 to 2007 was attributable to: (i) $2.5 million increase in salary-related costs and bonuses resulting from additional personnel combined with annual compensation increases and higher earnings; (ii) an increase of $0.3 million in stock compensation expense; partially offset by (iii) a decrease of approximately $0.1 million in recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states.

The change in general and administrative expenses in from 2005 to 2006 was attributable to: (i) $2.5 million of stock compensation expense in 2006 resulting from the adoption of SFAS No. 123(R) on January 1, 2006; (ii) an increase in salary-related costs resulting from additional personnel combined with annual compensation increases, effective January 1, 2006; and (iii) an increase of approximately $0.7 million in legal fees mainly related to the legal settlements discussed previously. These increases were partially offset by approximately $0.3 million of recoveries of previously expensed sales tax resulting from the expiration of the sales tax audit statutes in certain states.

Depreciation and Amortization

Depreciation expense amounted to $9.0 million, $8.4 million and $7.6 million, during 2007, 2006, and 2005, respectively. Amortization of intangibles amounted to $4.6 million, $4.9 million and $4.5 million during 2007, 2006, and 2005, respectively. We have recorded goodwill and other acquisition-related intangible assets as part of the purchase accounting associated with various acquisitions, including the acquisitions of Evant in August 2005, *eebiznet* in July 2004, Avere, Inc. in January 2004, ReturnCentral, Inc. in June 2003, and Logistics.com, Inc. in December 2002. The decrease of $0.3 million in 2007 was mainly associated with certain intangible assets related to prior acquisitions which became fully amortized. The increase in 2006 was attributable to the intangible asset amortization expense from the Evant acquisition, which totaled approximately $2.7 million during the year.

Settlement and accounts receivable charges

The $2.9 million pretax ($2.5 million after-tax or $0.09 per fully diluted share) in legal settlement costs in 2006 relate to two litigation matters, one with a large German customer and one with a domestic customer regarding implementation of warehouse management systems. In both litigation matters, a settlement was reached in January 2007. The recorded charges represent our portion of the settlement agreed to with our insurance carrier, subsequent to December 31, 2006. During 2005, we recorded a significant write-off of $2.8 million in accounts receivable from the German customer with whom we settled in 2006 resulting from a dispute over the implementation of our software.

Severance, restructuring and acquisition charges

The $1.5 million of charges for 2006 represent employee retention bonuses incurred in connection with the Evant acquisition. At the closing of the Evant acquisition, $2.8 million was deposited into escrow for employee retention purposes and was distributed to employees upon completion of up to 12 months of service with us. The $2.8 million was recorded as a prepaid asset, and was recognized as compensation expense ratably over the required employee retention period. During 2006, we completed the Evant retention bonus program and paid out the final bonuses. The

charges of $3.5 million recorded in 2005 included the following: (i) $1.9 million of severance-related

costs and retention bonuses discussed above associated with the acquisition of Evant; (ii) approximately $1.1 million in severance-related costs associated with the consolidation of our European operations into the Netherlands, United Kingdom and France; and (iii) $0.5 million in acquisition-related costs associated with an attempted acquisition that did not close. As part of the restructuring in Europe, we eliminated 17 sales and professional services positions throughout Europe. The severance-related costs associated with Evant consisted primarily of one-time payments to employees not retained due to duplicative functions. The acquisition-related costs incurred consisted of outside legal and accounting due diligence expenses.

Impairment charge

In July 2003, we invested $2.0 million in a technology company. Based on our assessment of uncertainties associated with the fair value of our investment following an unsuccessful public offering during the third quarter of 2006, we wrote down our investment by $0.3 million. Future impairment charges associated with this investment may be required in the event this company is unable to meet its strategic growth objectives.

Operating Income

Income from Operations

Operating income in 2007 increased by $12.3 million on consolidated revenue growth of 17%. Operating margins increased to 12.8% from 10.6% in 2006. The incremental profit contribution and margin was largely driven by the following factors: (i) record revenue and operating profit; (ii) settlement charges, acquisition charges and impairment charges of $2.9 million, $1.5 million and $0.3 million in 2006, respectively, which collectively increased our operating margin by 137 basis points in 2007; and (iii) reduction in stock compensation expense of $0.6 million in 2007. Operating income in the Americas segment increased by $7.6 million, or 23%, due to the decline in stock compensation expense of $0.4 million as well as acquisition related charges of $1.5 million and legal settlements of $0.8 million in 2006. Operating income in EMEA improved by $5.2 million, or 186% on record revenues and the $2.0 million of settlements charges in 2006, plus $0.2 million reduction in stock compensation expense. Operating income for APAC decreased by $0.5 million mainly due to lower revenue.

Operating income in 2006 increased by $0.5 million on consolidated revenue growth of 17%. Operating margins declined from 12.3% in 2005 to 10.6% in 2006. The incremental profit contribution and margin decline given our strong revenue performance in 2006 was largely driven by four factors: (i) stock option expense of $6.6 million in 2006 incurred due to the adoption of SFAS No. 123(R) on January 1, 2006 which reduced our operating margin by 230 basis points; (ii) strong services revenue growth and investment in new product sales drove higher professional services headcount, lowering service margins; (iii) continued investment in research and development expansion in our India operations; and (iv) higher incremental expenses associated with the Evant acquisition. Operating income in the Americas segment decreased by $2.0 million, or 6%, due to incremental stock option expense of $6.2 million as well as legal settlements of $0.8 million. Operating losses in EMEA improved by $1.5 million, or 35% due to the completion of the restructuring plan in 2005 and the decrease in settlements and receivables charges of $0.8 million, offset by incremental stock option expense of $0.4 million. Operating income for APAC improved by $0.9 million mainly due to increased revenue growth.

Other Income and Income Taxes

	Year Ended December 31,				
				% Change	
				2007 to	2006 to
	2007	2006	2005	2006	2005
Other income, net	$ 4,608	$ 3,638	$ 2,677	27%	36%
Income tax provision	16,915	15,062	14,319	12%	5%

Other Income, net

Other income, net primarily includes interest income and foreign currency gains and losses. Interest income was $3.4 million, $3.4 million and $3.8 million for the year ended December 31, 2007, 2006 and 2005, respectively.

The decrease of $0.4 million in interest income in 2006 compared to 2005 was due to overall lower average cash balances driven by our share repurchase programs. Interest income remained consistent from 2006 to 2007. The weighted-average interest rate earned on investment securities was 3.8% at December 31, 2007 compared to 3.5% at December 31, 2006 and 2.9% at December 31, 2005. We recorded a net foreign currency gain of $1.2 million in 2007 as compared to a net foreign currency gain of $0.2 million in 2006 and a net foreign currency loss of $1.1 million in 2005. The foreign currency gains and losses resulted from gains or losses on intercompany transactions denominated in foreign currencies with subsidiaries due to the fluctuation of the U.S. dollar relative to other foreign currencies, primarily the Indian Rupee, the British Pound and the Euro.

Income Tax Provision

Our effective income tax rates were 35.5%, 43.8% and 43.5% in 2007, 2006 and 2005, respectively. Our effective income tax rate takes into account the source of taxable income, domestically by state and internationally by country, and available income tax credits. The lower effective tax rate in 2007 compared to 2006 was primarily attributable to higher deductible stock option expense and the impact of legal settlements in 2006, partially offset by tax on certain intercompany balances. The higher effective tax rate for 2006 was driven by non-deductible stock option expense ($6.6 million pre-tax, $5.3 million after-tax) resulting from our adoption of SFAS No. 123(R) on January 1, 2006. Additionally, we were unable to take a tax benefit on $2.0 million of the $2.9 million of legal settlements as this charge related to a foreign subsidiary with tax losses. The provision for income taxes in 2005 does not include $1.9 million of tax benefits realized from stock options exercised during the year. These tax benefits reduce our income tax liabilities and are included in additional paid-in capital.

Liquidity and Capital Resources

During 2007, 2006, and 2005, we funded our operations through cash generated from operations. As of December 31, 2007, we had $72.8 million in cash, cash equivalents and investments as compared to $131.1 million at December 31, 2006. The decrease between periods was primarily due to the repurchase of shares of our common stock.

Our operating activities provided cash of $38.3 million, $44.1 million and $33.4 million in 2007, 2006, and 2005, respectively. Cash from operating activities for 2007 decreased $5.8 million compared to 2006 principally attributable to an increase in account receivable driven by record revenues that increased days sales outstanding to 79 days at December 31, 2007 as compared to 73 days at December 31, 2006. Cash from operating activities for 2006 increased on record cash collections, resulting in a decrease in days sales outstanding to 73 days at December 31, 2006 as compared to 81 days at December 31, 2005.

Our investing activities provided cash of approximately $75.1 million during the year ended December 31, 2007, primarily from the net maturities of investments of $84.5 million which was used mainly to fund stock repurchases, partially offset by payments of $9.4 million in capital equipment to support our business and infrastructure. During 2006, our investing activities used cash of approximately $47.9 million, primarily for the purchase of approximately $9.6 million in capital equipment to support our business and infrastructure and $38.1 million in net investments. During 2005, our investing activities provided cash of approximately $3.8 million from net maturities and sales of investments of $61.1 million, partially offset by payments in connection with the Evant acquisition of approximately $48.3 million and purchases of capital equipment of $8.5 million.

Our financing activities used cash of approximately $88.3 million in 2007, provided cash of approximately $2.5 million in 2006 and used cash of $54.4 million in 2005. The principal use of cash for financing activities was to repurchase shares of our common stock for approximately $99.9 million, $16.0 million and $61.0 million in 2007, 2006, and 2005, respectively. These repurchases were partially offset by the proceeds from the issuance of our common stock pursuant to the exercise of stock options of $10.9 million, $16.2 million and $6.7 million in 2007, 2006, and 2005, respectively. As of December 31, 2007, we had $25.0 million of Board approved share repurchase authority remaining.

Periodically, opportunities may arise to grow our business through the acquisition of complementary and synergistic companies, products and technologies. Any material acquisition could result in a decrease to our working capital depending on the amount, timing and nature of the consideration to be paid. We believe that existing balances of cash, cash equivalents and short-term investments will be sufficient to meet our working capital and capital

expenditure needs at least for the next twelve months, although there can be no assurance that this will be the case.

New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 on January 1, 2007. We discuss our adoption of FIN 48 and the adoption s effects in Note 3, *Income Taxes*, to our Consolidated Financial Statements in this annual report.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which establishes a framework for reporting fair value and expands disclosures required for fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We do not expect that the implementation of SFAS No. 157 will have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, Fair Value Measurements, and No. 107, Disclosures about Fair Value of Financial Instruments. SFAS No. 159 is effective for the entity s fiscal year that begins after November 15, 2007. We do not expect that the implementation of SFAS No. 159 will have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, which amends SFAS No. 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008 and is to be applied prospectively. We are currently assessing the potential impact of adopting SFAS No. 141(R) on our consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51, which establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We do not expect that the implementation of SFAS No. 160 will have a material impact on our consolidated financial statements.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Our principal commitments as of December 31, 2007, consist of obligations under operating leases. We expect to fulfill all of the following commitments from our working capital. We have no off-balance sheet arrangements within the meaning of SEC rules.

Lease Commitments

We lease our facilities and some of our equipment under noncancelable operating lease arrangements that expire at various dates through 2018. Rent expense for these leases aggregated $6.7 million, $7.0 million and $6.3 million during 2007, 2006, and 2005, respectively.

The following table summarizes our contractual commitments as of December 31, 2007 (in thousands):

	Total	2008	2009	2010	2011	2012	Thereafter
Non-cancelable operating leases	$50,199	$4,995	$6,058	$5,065	$4,301	$4,198	$25,582

Indemnifications

Our sales agreements with customers generally contain infringement indemnity provisions. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with patent, copyright or trade secret infringement claims made by third parties with respect to the customer s authorized use of our products and services. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer, as well as our modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. Our sales agreements with customers sometimes also contain indemnity provisions for death, personal injury or property damage caused by our personnel or contractors in the course of performing services to customers. Under these agreements, we agree to indemnify, defend and hold harmless the customer in connection with death, personal injury and property damage claims made by third parties with respect to actions of our personnel or contractors. The indemnity provisions generally provide for our control of defense and settlement and cover costs and damages finally awarded against the customer. The indemnity obligations contained in sales agreements generally have no specified expiration date and no specified monetary limitation on the amount of award covered. We have not previously incurred costs to settle claims or pay awards under these indemnification obligations. We account for these indemnity obligations in accordance with SFAS No. 5, *Accounting for Contingencies*, and record a liability for these obligations when a loss is probable and reasonably estimable. We have not recorded any liabilities for these agreements as of December 31, 2007.

Warranties

We warrant to our customers that our software products will perform in all material respects in accordance with our standard published specifications in effect at the time of delivery of the licensed products to the customer for 90 days after first use of the licensed products, but no more than 24 months after execution of the license agreement. Additionally, we warrant to our customers that our services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, we would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, we have not incurred significant recurring expense under our product or service warranties. As a result, we believe the estimated fair value of these agreements is nominal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2007.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Foreign Business

Our international business is subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Our international operations currently include business activity out of offices in the United Kingdom, the Netherlands, Germany, France, Australia, Japan, China, Singapore and India. When the U.S. dollar strengthens against a foreign currency, the value of our sales and expenses in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales and expenses in that currency converted to U.S. dollars increases. The appreciation in the Rupee in 2007 drove significant pressure on the Company operating margins and earnings per share.

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We recognized a foreign exchange rate gain of $1.2 million and $0.2 million in 2007 and 2006, respectively, and a foreign exchange rate loss of $1.1 million in 2005. Foreign exchange rate transaction gains and losses are classified in Other income (loss), net in our Consolidated Statements of Income. A fluctuation of 10% in the period end exchange rates at December 31, 2007 and 2006 relative to the US dollar would result in changes of approximately $1.0 million and $1.4 million in the reported foreign currency gain or loss, respectively.

Interest Rates

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged floating rate and fixed rate obligations of corporations, municipalities, and local, state and national governmental entities and agencies. These investments are denominated in U.S. dollars. Cash balances in foreign currencies overseas are derived from operations.

We account for our investment instruments in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). All of the cash equivalents and investments are treated as available-for-sale under SFAS No. 115.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. The weighted-average interest rate on investment securities was 3.8% at December 31, 2007 as compared to 3.5% at December 31, 2006. The fair value of cash equivalents and investments held at December 31, 2007 and 2006 was $58.5 million and $121.9 million, respectively. Based on the average investments outstanding during 2007 and 2006, increases or decreases of 25 basis points would result in increases or decreases to interest income of approximately $0.1 million and $0.1 million in 2007 and 2006, respectively, from the reported interest income.

Item 8. ***Financial Statements and Supplementary Data***

Financial Statements

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MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Manhattan Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of the Company s principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of the end of the Company s 2007 fiscal year, management conducted an assessment of the Company s internal control over financial reporting based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company s internal control over financial reporting as of December 31, 2007 was effective.

Management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2007 has been audited by Ernst & Young, an independent registered public accounting firm, as stated in their report appearing on page 41, which expresses an unqualified opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2007.

/s/ Peter F. Sinisgalli
Peter F. Sinisgalli
President and Chief Executive Officer

/s/ Dennis B. Story
Dennis B. Story
Senior Vice President and Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders
Manhattan Associates, Inc. and Subsidiaries

We have audited Manhattan Associates, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Manhattan Associates, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Manhattan Associates, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2007 of Manhattan Associates, Inc. and subsidiaries and our report dated February 22, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 22, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders
Manhattan Associates, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Manhattan Associates, Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment,* effective January 1, 2006 and Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Manhattan Associates, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 22, 2008

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MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)