SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTIONS 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

[ ] 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 (State or Other Jurisdiction of Incorporation or Organization)	58-2373424 (I.R.S. Employer Identification No.)
2300 WINDY RIDGE PARKWAY, SUITE 700 ATLANTA, GEORGIA (Address of Principal Executive Offices)	30339 (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 EXCHANGE ON WHICH REGISTERED
NONE	NONE

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

COMMON STOCK, $.01 PAR VALUE PER SHARE

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 [X] No [ ]

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. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sales price of the Common Stock on March 31, 2002 as reported by the Nasdaq Stock Market, was approximately $604,993,748. The shares of Common Stock held by each officer and director and by each person known to the Registrant who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of March 31, 2002, the Registrant had outstanding 28,508,482 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 17, 2002 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

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 "Safe Harbor Compliance Statement for Forward-Looking Statements" included as Exhibit 99.1 to this Annual Report on Form 10-K. 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.

PART I

ITEM 1. BUSINESS

We are a leading global provider of technology-based solutions to improve the effectiveness of and the efficiencies within the extended supply chain. Our solutions, which consist of software, services and hardware, enhance distribution efficiencies through the real-time integration of extended supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and consumers. Our software provides solutions for the three principal elements of extended supply chain execution, or "x-SCE": collaboration, execution and optimization. Collaboration solutions provide real-time synchronization of key processes and their associated information flows across the extended supply chain, including customer process synchronization, trading partner personalization, supplier process enablement, carrier compliance and communication, global inventory visibility and supply chain event management. Execution solutions include the performance of the many processes that take place in the warehouse and distribution center, beginning with the placement of an order by a customer and ending with the fulfillment and delivery of the order to the end customer. Optimization solutions use analytic tools and techniques to improve the efficiency of distribution center operations through the use of either rules-based or algorithm-based models to solve problems that are too complex or too time consuming for manual processing. We also provide services, including design, configuration, implementation and training services, plus customer support services and software enhancement subscriptions.

Our software products allow organizations to manage the receiving, stock locating, stock picking, order verification, assembly, order packing and shipment of products in complex distribution centers and to provide better visibility between our customers and their trading partners. Our software products are designed to optimize the operation of a distribution center and to facilitate supply chain collaboration by:

- reducing inventory levels and increasing inventory turnover;
- improving inventory and order accuracy;
- reducing response times;
- facilitating the requirements of multi-channel fulfillment, including complying with industry shipping standards, unique pallet configuration and customer-specific marketing, labeling and packaging;
- improving visibility of inventory, order status and delivery status;
- improving communication with other participants in the supply chain;
- enabling and facilitating distribution through multiple delivery channels;
- increasing the productivity of labor, facilities and materials-handling equipment; and
- lowering transportation costs.

We currently provide our solutions to manufacturers, distributors, retailers and transportation providers primarily in the following markets: retail, consumer goods, direct-to-consumer, food and grocery, third-party logistics, industrial and wholesale, high technology and electronics, and healthcare and pharmaceuticals. As of December 31, 2001, our software was licensed for use by approximately 800 customers including Abbott Laboratories, Calvin Klein, ClientLogic Corporation, Columbia Sportswear, Exel Logistics, KBToys.com, Kmart Corporation, Mary Kay Incorporated, Newell Rubbermaid, Nordstrom, Patagonia, Rain Bird Distribution Corp., Sara Lee Corporation, SEIKO Corporation of America, Sainsbury's Supermarkets Ltd., Siemens Energy and Automations, The Sports Authority and Tibbett & Britten Group Plc.

We are a Georgia corporation formed in March 1998 to acquire all of the assets and liabilities of Manhattan Associates Software, LLC. 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 700, Atlanta, Georgia 30339, and our telephone number is 770-955-7070.

INDUSTRY BACKGROUND

Effective x-SCE solutions allow organizations to enhance customer satisfaction and reduce the cost of operating distribution centers. In the current environment, supplier complexity, customer demands and volumes of transactions continue to increase. Consequently, many companies are required to operate larger, more complex distribution centers, which support multiple distribution methods. In addition, the volume of shipments in most distribution centers has increased tremendously with the change from large palette shipments to smaller customer-specific shipments. These trends, the advent of the Internet and the rapid growth of e-commerce have altered the relative value propositions of effective and efficient distribution. As a result, many organizations are required to redefine their supply chain and automate many processes in order to improve the effectiveness of the supply chain and to improve customer satisfaction and loyalty. In recent years, many businesses have employed technologies to improve the flow of goods and information among supply chain participants, which include manufacturers, suppliers, distributors, retailers and transportation providers. These technologies have helped businesses to reduce inventory levels, improve inventory turnover and, most importantly, improve customer satisfaction. The efficient management of a distribution center now requires collecting and processing increasing amounts of key information. This information includes customer orders, inbound shipments of products, products available on-site, product storage locations, weights and sizes, customer- or store-specific shipping requirements, routing data, carrier requirements and order status. Manufacturers, distributors, retailers, and transportation providers must continuously exchange this information with other participants in the supply chain in order to effectively integrate the operation of their distribution centers with the extended supply chain. In this increasingly competitive environment, effective x-SCE technology solutions have become critical to success in order to handle the very sophisticated distribution services required today, including:

- more frequent store-specific inventory replenishments;

- distribution through multiple delivery channels;

- more customized packing of goods within each delivery to reduce in-store unpacking times;

- more sophisticated packaging and labeling of goods to meet merchandising strategies;

- compliance with unique, customer-specific and industry-specific shipping standards; and

- the exchange of trading information electronically.

The Internet and the rapid growth of e-commerce have increased the demands on participants in the supply chain. For example, many retailers, suppliers and manufacturers are selling their products through a broader range of distribution channels, including directly to consumers, either through the Internet or catalog sales operations. These new multi-channel distribution models present significant challenges to traditional distribution centers that were primarily designed to replenish "bricks and mortar" establishments, such as

retail stores and distributors, where orders are typically large and undifferentiated. Selling products in direct-to-consumer environments requires these participants to provide additional services, such as individual packaging, labeling and shipping of orders directly to the consumer, as well as other value-added services such as apparel monogramming and gift-wrapping.

As a result of these additional demands, distribution centers have increased in size, complexity and cost. Distribution centers today can comprise one million square feet or more with thousands of stock keeping units, or "SKUs," multi-million dollar investments in automated materials-handling equipment, and software solutions that can manage and provide access to huge amounts of real-time data. The efficient management of a distribution center operation now requires collecting information regarding:

- customer orders and the specific contents in each order;

- inbound shipments of products;

- products available on-site;

- product storage locations;

- weights and sizes;

- outbound shipping data including customer- or store-specific shipping requirements, routing data and carrier requirements;

- electronic communication with other supply chain participants; and

- personalization for direct-to-consumer shipping.

Distribution center management systems must be able to analyze dynamically the information to determine the most efficient use of the distribution center's labor, materials handling equipment, packaging equipment and shipping, storage and receiving areas. These systems must interface, in real-time, directly with Enterprise Resource Planning ("ERP") and other host systems to exchange business information. Their mission-critical function within a distribution center requires that these systems operate with high reliability and efficiency, while supporting very high transaction volumes and multiple users. Suppliers, manufacturers, distributors and retailers must exchange information in real time with other participants in the supply chain in order to effectively integrate their operations with the extended supply chain. Additionally, front-office Internet business software applications require real-time access to data provided by these distribution center management systems to provide a dynamic view of a company's extended supply chain.

Traditionally, distribution center management systems have been highly customized, difficult to upgrade and have required costly and lengthy implementations. Furthermore, these systems have not readily supported the increased volumes and complexities associated with recent advances in supply chain re-engineering initiatives. Specifically, they have failed to quickly incorporate dynamic changes to industry- and customer-specific shipping standards. Most legacy distribution center management systems are unable to effectively manage operations in an increasingly multi-channel distribution environment. In addition, legacy distribution center management systems are unable to provide the real-time access to supply chain data to interact with Internet-based supply chain optimization, procurement and commerce applications.

THE MANHATTAN ASSOCIATES SOLUTION

Our solutions feature modular software systems that employ leading database technology to address a full range of requirements of modern, complex distribution centers and the extended supply chain, including collaboration, execution and optimization. Our collaboration solutions provide real-time synchronization of key processes and their associated information flows across the extended supply chain, including customer process synchronization, trading partner personalization, supplier process enablement, carrier compliance and communication, global inventory visibility and supply chain event management, which includes real-time monitoring and alerting and real-time intelligent execution. Our execution solutions include the performance of the many processes that take place in the warehouse and distribution center, beginning with the execution of an order by a customer and ending with the fulfillment and delivery of the order to the end customer. Our

optimization solutions use analytic tools and techniques to improve the efficiency of distribution center operations through the use of either rules-based or algorithm-based models to solve problems that are too complex or too time consuming for manual processing. Our software products, together with our professional services capabilities, enable our customers to optimize their supply chain effectiveness and efficiencies by:

- reducing inventory levels and increasing inventory turnover;

- improving inventory and order accuracy;

- reducing response times;

- facilitating the requirements of multi-channel fulfillment, including complying with industry shipping standards, unique pallet configuration and customer-specific marketing, labeling and packaging;

- improving visibility of inventory, order status and delivery status;

- improving communication with other participants in the supply chain;

- enabling and facilitating distribution through multiple delivery channels;

- increasing the productivity of labor, facilities and materials-handling equipment; and

- lowering transportation costs.

Our collaboration solutions consist of the MA Collaborate Suite, which includes two versions of our infolink(TM) product, infolink-Order and infolink-Source. MA Collaborate provides our customers with:

- Supplier Integration -- infolink is designed to improve an organization's visibility to inbound shipments, which can facilitate (i) reduced transportation costs, through the consolidation of inbound shipments, (ii) improved planning, through real-time status and content management of inbound shipments to allow more effective labor management and improved order fulfillment, and (iii) improved fill rates, through allocation of in-transit inventory.

- Customer Integration -- infolink provides improved sharing of information between a supplier and its customers through the synchronization of processes and information.

- Global Inventory Visibility -- infolink enables visibility across the extended supply chain from the point of production to the point of consumption.

- Supply Chain Event Management -- infolink allows an organization to monitor its supply chain in real-time and provides immediate notifications or alerts of failures or important events.

Our execution solutions consist of the MA Fulfill Suite and the MA Deliver Suite. MA Fulfill features PkMS(R), our flagship product, and PkMS Pronto. MA Deliver features Logistics PRO(R) TMS. Together, MA Fulfill and MA Deliver provide our customers with:

- Comprehensive Warehouse Management System Functionality -- Our execution products address a full range of requirements of modern, complex distribution centers with a defined, prepackaged product rather than custom-designed and developed applications. Our execution products provide comprehensive functionality that manages the processes associated with receiving, put-away, replenishment, picking, packing and shipping for specific vertical markets, incorporating industry-wide initiatives.

- Ease of Implementation -- The modular design of our execution products, along with our knowledge of specific vertical markets and expertise in planning and installation, allows our solutions to be implemented more rapidly than highly-customized distribution center management systems. Typical implementations can be completed within four to six months. Our PRISM methodology allows for a full implementation of the MA Fulfill Suite within two months.

- Timely Response to Industry Initiatives -- Our execution products feature a comprehensive program to provide our customers with timely software upgrades offering increased functionality and technological advances that address emerging supply chain initiatives that are often industry specific.

- Flexibility and Configurability -- Our execution products are designed to be easily configured to meet a distribution center's specific requirements and reconfigured to meet changing customer and industry requirements. Because of their modular design, our execution products can be implemented in phases to meet specific customer demands.

- Scaleability -- Our execution products are designed to facilitate the management of evolving distribution center systems to accommodate increases in the number of system users, complexity and distribution volume.

- Multi-Channel Distribution -- Our execution products, with their robust design and superior functionality over competitive offerings, allow for distribution through multiple channels, including traditional means, the Internet and mail order. Moves to additional channels can be made with speed and ease of implementation.

- Transportation Management -- Our MA Deliver suite of products is designed to facilitate the shipping process and reduce costs through planning, integrated shipping rate tables and built in audit processes.

Our optimization solutions consist of the MA Optimize Suite, which includes three modular products: SlotInfo(TM), WorkInfo(TM) and SmartInfo(TM).

- SlotInfo -- enables the optimal configuration of distribution facilities to maximize existing space, achieve greater throughput and reduce replenishment costs.

- WorkInfo -- a comprehensive productivity tracking and labor-planning tool to help maximize the utilization and productivity of human resources within the distribution center.

- SmartInfo -- provides real-time monitoring of distribution center activities and determines trends based on historical data.

STRATEGY

Our objective is to be the leading provider of technology-based x-SCE solutions. We aim to achieve this objective by providing operational excellence to our customers through collaboration, execution and optimization solutions to targeted vertical markets. Our solutions are advanced, highly functional, highly scaleable applications that allow our customers to improve relationships with suppliers and customers, leverage their investments in distribution centers and meet dynamically changing customer requirements. 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 our software solutions. We offer what we believe to be the broadest solution set in the x-SCE marketplace, founded upon software products, as described herein, to address all aspects of collaboration, execution and optimization. In order to provide additional functionality and value to our solutions, we plan to continue to provide enhancements to existing products and to introduce new products to address evolving industry standards and market needs. We identify further enhancements to our solutions and opportunities for new products through our customer support organization as well as ongoing customer consulting engagements and implementations, interactions with our user groups and participation in industry standards and research committees.

Expand International Sales. We believe that our solutions offer significant benefits for customers in international markets. We have approximately 100 employees outside the United States, primarily in the United Kingdom and the Netherlands, focused on international sales and servicing our international clients. In addition to offices in the United Kingdom, Netherlands and Japan, we have a direct presence in Germany, France and Australia and an established reseller partnership in Latin America and the Pacific Rim. Our international strategy includes leveraging the strength of our relationships with current customers that also have significant overseas operations and the pursuit of strategic marketing partnerships with international systems integrators and third-party software application providers.

Develop Indirect Sales Channels. We currently sell our products primarily through our direct sales personnel. In addition to expanding our direct sales organization, we plan to invest in the expansion and development of our indirect sales channels through reseller agreements, marketing agreements and agreements with third-party logistics providers.

Expand Our Strategic Alliances. We have established strategic alliances with industry-leading consultants and software systems implementers, including most of the "Big Five" consulting firms, other systems consulting firms specializing in our targeted industries and IBM Global Services among others, to supplement our direct sales force and professional services organization. These alliances help extend our market coverage and provide us with new business leads and access to trained implementation personnel. We have strategic alliances with complementary software vendors including Microsoft, JDA Software, Manugistics and Intentia.

Acquire or Invest in Complementary Businesses. We intend to pursue strategic acquisitions of technologies, products and businesses that enable us to enhance and expand our x-SCE software products and service offerings. More specifically, we intend to pursue acquisitions that will provide us with complementary products and technologies, expand our geographic presence and distribution channels, extend our presence into other vertical markets with similar challenges and requirements of those we currently exploit and/or further solidify our leadership position within the three primary components of x-SCE: collaboration, execution and optimization.

PRODUCTS AND SERVICES

Products. Our software products are designed to enable our customers to manage the operations of their distribution centers and improve collaboration between supply chain partners to achieve greater effectiveness and efficiency. Our software products operate across the iSeries (AS/400), Unix and Windows NT computing platforms. Our products 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 interface toolkits for most ERP systems to enhance communication and reduce implementation costs between our core products and our clients' host systems. We currently offer interface toolkits to systems developed by Oracle, SAP, J.D. Edwards, Lawson, Essentus/Richter and Intentia.

We categorize our software products according to their focus and value proposition within x-SCE. Our solution set is comprised of five suites of applications: MA Fulfill; MA Deliver; MA Optimize; MA Collaborate and MA Connect. MA Fulfill consists of PkMS, our flagship product, and PkMS Pronto. MA Deliver consists of Logistics PRO TMS. MA Optimize consists of SlotInfo, WorkInfo and SmartInfo. MA Collaborate consists of infolink-Order and infolink-Source. MA Connect consists of ComLink and SystemLink. The following table lists and provides descriptions of our products categorized by offering suite:

MA FULFILL SUITE
PKMS

MODULE	DESCRIPTION
INVENTORY MANAGEMENT SYSTEM ("IMS")	Manages the receipt, put-away and movement of all inventory throughout the distribution center
Receiving	- Verifies the accuracy of incoming shipments against the advanced shipping notice

- Designates incoming inventory for quality audit and immediate out-going shipment (cross-docking)
- Manages receiving yard by scheduling time, dock location and priority of shipments

MODULE	DESCRIPTION
Stock Locator..................	- Enhances inventory movement efficiency by directing put-away, minimizing travel distances and optimizing storage capacity - Tracks movement of inventory by allowing real-time inquiries by location, SKU and other criteria
Cycle Count....................	- Enables more efficient inventory counts by permitting specific zones of a distribution center to be "frozen" without interrupting ongoing operations - Automatically generates cycle count tasks for specific SKUs, locations or other user-designated criteria
Work Order Management..........	- Directs the assembly of finished goods within a distribution center to match customer demands
Radio Frequency Functions for the IMS.....................	- Allows the real-time collection of inventory product information and location with remote, hand-held mobile devices for integration with the IMS - Communicates real-time task assignments to workers in remote locations of the distribution center
Task Management System for the IMS.........................	- Coordinates the sequence of distribution center tasks to optimize labor efficiency
OUTBOUND DISTRIBUTION SYSTEM ("ODS").....................	Manages the picking, packing and shipping of orders in efficient release waves
Wave Management...............	- Selects, prioritizes and groups outgoing orders in manageable increments based upon user-defined criteria - Routes picktickets based upon retailer requirements and pre-determines carton contents to minimize the number of outgoing cartons - Facilitates stock replenishment for active picking and packing locations
Verification..................	- Provides automatic verification of orders and identifies order shortages and overages to maximize shipping accuracy at several different points within the order fulfillment process
Radio Frequency Functions for the ODS.....................	- Allows the real-time collection of shipment information, including actual carton contents, and location with remote, hand-held mobile devices - Communicates real-time task assignments to workers in remote locations of the distribution center
Freight Management System.....	- Sorts orders by specific freight carriers, calculates shipping charges and controls load sequencing based upon truck routes - Generates all documentation required for shipping such as bills of lading and retailer compliant required manifests
Parcel Shipping System........	- Calculates all shipping charges for parcel shipments, generates tracking numbers and provides appropriate documentation for parcel carriers

MODULE	DESCRIPTION
PKALLOCATE....................	- Prioritizes and allocates orders based on current aggregate inventory levels for customers whose host system is unable to perform this function

PKCOST	- Tracks effort and cost for activities in the distribution center - Provides critical billing information for third party logistics companies
PKVIEW	- Provides online graphs and e-mail notification for PkMS on the iSeries (AS/400) and Unix platforms

PKMS PRONTO

MODULE	DESCRIPTION
Inbound Execution	- Enables the receipt, location and put-away of inbound shipments
Work	- Allows the real-time collection of inventory product information and location with remote, hand-held mobile devices - Communicates real-time task assignments to workers in remote locations of the distribution center
Inventory Control	- Enables more efficient inventory counts by permitting specific zones of a distribution center to be "frozen" without interrupting ongoing operations - Automatically generates cycle count tasks for specific SKUs, locations or other user-designated criteria
Outbound Execution	- Comprehensive, multi-step order entry functionality - Selects, prioritizes and groups outgoing orders in manageable increments based upon user-defined criteria - Determines the most efficient carrier - Facilitates load planning and optimization - Generates the most effective shipping plan
Asset Management	- Real-time data accumulation of key warehouse functions - Productivity tracking
Warehouse Control Center	- Graphical representations of key operational data
Pronto Exchange	- Web-based information on inbound status, order entry, order status and delivery confirmation, inventory status, inbound statistics, outbound statistics and item statistics
Management Reporting	- Standardized reports to improve management visibility

MA DELIVER SUITE
LOGISTICS PRO TMS

MODULE	DESCRIPTION
Outbound Planning	- Determines the most efficient carrier - Generates the most effective shipping plan - Facilitates load planning and optimization
International Compliance	- Translates document headings into local languages to meet requirements of destination countries
Audits	- Verifies each freight bill for accuracy to prevent duplicate payments and incorrect charges

MA OPTIMIZE SUITE

PRODUCT	DESCRIPTION
SmartInfo	- Enables the optimization and analysis of a distribution center via the real-time monitoring of warehouse activities and determines trends based on historical data contained within PkMS

WorkInfo.....................	- Provides employee performance tracking information to distribution center managers, while supplying the distribution center employee estimated task durations prior to starting the task and their individual employee performance throughout the day
SlotInfo.....................	- Optimizes inventory physical location within a distribution center based on volume, seasonal demands, location of products and size - May be used with PkMS or as a stand-alone product

MA COLLABORATE SUITE

PRODUCT	DESCRIPTION
infolink-Order...............	- An Internet-based application that enables real-time communication and collaboration between retailers and their suppliers - Provides real-time visibility into production status and shipment information - Provides real-time status of product availability - Generates bar-coded shipping labels at the user's facilities to facilitate and streamline receiving at user's distribution centers - May be integrated with PkMS, other warehouse management systems and ERP Systems
infolink-Source..............	- An Internet-based application that facilitates collaboration between a warehouse and its factories or a company and its suppliers - Provides real-time visibility into production status - Provides real-time shipment information, including advanced ship notice and UCC 128 labels for streamlined receiving

MA CONNECT SUITE *

PRODUCT	DESCRIPTION
ComLink*.....................	- A standardized communication tool for communication among all Manhattan solutions as well as between Manhattan solutions and external systems - Provides an adaptable interface as new technologies emerge
SystemLink*..................	- A toolkit standardized for interfaces between PkMS and major ERP systems - Interfaces to ERP systems include Oracle Applications, Essentus Sourcing and Demand, Lawson Insight and Intentia Movex

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* The products comprising the MA Connect Suite are designed to work exclusively with other products and solutions of Manhattan Associates. These products are neither sold stand-alone nor can they be used stand-alone, but are always sold as part of a total solution.

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 that our professional services enable the customer to implement our software rapidly, ensure the customer's success with our solution, strengthen the relationship with the customer, and adds to our industry-specific knowledge base for use in future implementations and product development efforts.

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 products. Professional services are typically rendered under time and materials based contracts, with services billed on an hourly basis. Professional services are sometimes rendered under fixed-fee based contracts, but only in instances when we believe the scope of the project is reasonably quantifiable. We believe that increased sales of our software products will drive higher demand for our consulting services. Accordingly, we plan to continue to increase the number of consultants to support anticipated growth in product implementations and software upgrades. We anticipate that our internal growth will be balanced with our success in achieving our strategy of alliances expansion.

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 distribution center operations and our products. We believe that this training, together with the ease of implementation of our products, enables us to productively use newly-hired consulting personnel. 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 products' architecture with the knowledge and expertise gained from completing more than 1,100 installations worldwide. The modular design of our products significantly reduces the complexities associated with integrating to existing systems, including ERP, SCM, CRM, e-business systems and complex material handling systems. As a result, we have been able to deploy a fully automated inbound and outbound system in less than two months.

Customer Support Services and Software Enhancements. We offer a comprehensive program that provides our customers with timely software upgrades that offer additional or improved functionality and technological advances incorporating emerging supply chain and industry initiatives. As of December 31, 2001, over 80% of our customers since our formation have subscribed to our comprehensive support and enhancements agreements. 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 24x7 customer support plus software upgrades for fees of 16% and 20% of the software license fee, depending on the level of service needed by the customer.

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 thirteen courses available to provide training on product 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. In conjunction with the licensing of our software, we resell a variety of hardware products developed and manufactured by third parties in order to provide our customers with an integrated supply chain execution solution. These products include computer hardware, radio frequency terminal networks, 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.

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 and other international locations and to pursue strategic marketing partnerships. We conduct comprehensive marketing programs that include advertising, public relations, trade shows, joint 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, trade shows 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 to an existing customer using our supply chain execution system and contract negotiation. The sales cycle can vary substantially from customer to customer, but typically requires three to six months.

In addition to sales to new customers, we intend to continue to leverage our existing customer base to provide for system upgrades, sales of additional licenses of purchased products and sales of new or add-on products. 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 capable of performing implementations of our solutions. Business referrals and leads helping us to grow our business continue to be positively influenced by systems integrators, which include most of the Big Five consulting firms and other systems consulting firms specializing in our targeted industries. We believe that our leadership position in providing x-SCE solutions perpetuates the willingness of systems integrators to recommend our solutions where appropriate.

During 2000, we formalized a program intended to foster joint sales and marketing efforts with our business partners. In some cases, this included 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:

- Manugistics Group, Inc., a leading global provider of enterprise profit optimization solutions;

- JDA Software Group, Inc., a leading global provider of integrated software and professional services to retailers and their suppliers;

- Vastera, Inc., a leading international trade logistics company;

- Intentia International AB, a leading global supplier of ERP solutions;

- ProClarity Corporation (formerly Knosys, Inc.), a provider of analytic front-end technology designed specifically for Microsoft SQL Server 2000 Analysis Services;

- Siemens Dematic, a world leader, providing system solutions from concept through implementation in manufacturing, automotive, distribution, parcel and freight, postal, air cargo, baggage handling and software applications; and

- FKI Logistex, a global automated material-handling firm specializing in distribution, freight and parcel, baggage handling and manufacturing automated material flow solutions.

CUSTOMERS

To date, our customers have been suppliers, manufacturers, distributors, retailers and transportation providers in a variety of industries. The following table sets forth a representative list of our customers and the industries as of December 31, 2001, that have purchased products and services from us.

Consumer Goods	Healthcare
ARAMARK Uniform and Career Apparel, Inc.	Abbott Laboratories, Inc.
Calvin Klein, Inc.	AmerisourceBergen
Elizabeth Arden	Banta Healthcare
Jockey International	F. Dohmen Company
Newell Rubbermaid	Ocular Sciences, Ltd.
SEIKO Corp. of America	Pfizer Canada, Inc.
The Stride Rite Corporation	Stiefel Laboratories, Inc.
Waterford Wedgewood, USA, Inc.	Stryker Endoscopy
Direct-to-Consumer	Retail
Cabela's	American Eagle Outfitters
Coldwater Creek	Debenhams Retail Plc
Columbia Sportswear	Kmart Corporation
Cornerstone Brands, Inc.	Mary Kay, Inc.
J. Jill Group	Nordstrom
KBToys.com	The Children's Place
Nordstrom.com	The Limited
Patagonia	The Sports Authority
Food and Grocery	Industrial & Wholesale
Alliant Atlantic Foodservice	AGFA/Bayer
American Italian Pasta Company	Liberty Hardware Manufacturing
Ben E. Keith Company	Loctite Corporation
Burns Philip Food/Tone Brothers	Motors & Armatures, Inc.
Hiram Walker & Sons Limited	O'Reilly Automotive
Orefield Cold Storage	PPG Architectural Finishes, Inc.
Sainsbury's Supermarkets Ltd.	Rain Bird Distribution Corp.
Sara Lee Corporation	Strauss Discount Tire
Third Party Logistics	High Tech & Electronics
APL	Belkin Components
ClientLogic Corporation	Canon (UK) Limited
Exel Logistics	EGS Electrical Group
Langham Logistics	Festo Corporation
SalesLink	Metatec Corporation
Tibbett and Britten Ltd.	Microwarehouse, Inc.
	Olympus America
	Siemens Energy and Automation, Inc.

Our top five customers in aggregate accounted for 21%, 22% and 10% of total revenue for each of the years ended December 31, 2001, 2000 and 1999, respectively. Revenue from one customer ("the significant customer") during 2001 accounted for approximately 10% of revenue for the year ended December 31, 2001. No single customer accounted for more than 10% of revenue in 2000 or 1999. On January 22, 2002, the significant customer, an international discount retailer, filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As a result of the bankruptcy filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, if any, we reduced 2001 revenues by $4.3 million. The $4.3 million Allowance for Bankrupt Customer, recorded as a separate line item within the revenues section of our Statement of Income for the year ended December 31, 2001, principally defers revenues arising from the significant customer in the fourth quarter of 2001.

PRODUCT DEVELOPMENT

Our development efforts are focused on adding new functionality to existing products, enhancing the operability of our products across distributed and alternative hardware platforms, operating systems and database systems and developing new products. We believe that our future success depends in part upon our ability to continue to enhance existing products, to respond to dynamically changing customer requirements and to develop new or enhanced products that incorporate new technological developments and emerging extended supply chain and industry standards. To that end, our development efforts frequently focus on base system enhancements and the incorporation into our products 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 product with increasing functionality rather than a custom-developed software program. We have also developed interface toolkits for most major ERP systems to enhance communication and improve data flows between our core products and our clients' host systems.

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. In 2001, we used a third-party research and development company to localize our products into Japanese, German, French and Spanish. We have also announced plans to establish an off-shore development center (ODC) in Bangalore, India. The ODC will employ several Indian citizens currently working for and holding extensive development experience with us.

We will continue to spend a portion of our research and development efforts on the development and enhancement of our infolink product. Infolink is an Internet-based application that enables real-time collaboration between users and both their customers and suppliers regarding customer order entry and order/inventory status. Real-time communication will be facilitated via infolink through Internet-based XML technology. Microsoft Corporation is collaborating with us to provide expertise in the XML document definition, which will be based on the BizTalk(TM) Framework. We released the first version of infolink, called infolink-Order, in September 2000. Infolink-Order provides information allowing for real-time business decisions between customers and their suppliers. A second version of infolink was released in September 2001, called infolink-Source, which provides for similar types of communication between suppliers and their factories.

We continue to devote a significant portion of our research and development efforts to the enhancement of the N-Tier version of PkMS. Our N-Tier version of PkMS incorporates a distributed client/server architecture to allow different software applications and systems and hardware platforms to operate together more efficiently. N-Tier currently operates with desktops running Windows 95/98/2000/NT, standard radio frequency device clients and servers running either the Windows NT or the UNIX operating environments. Much of our development efforts in the second half of 2000 included the re-architecture of the N-Tier version of PkMS to improve the product's responsiveness and overall efficiency. The re-architected version of N-Tier was released in the first quarter of 2001.

We are also spending a portion of our research and development efforts on the development of PkMS Pronto. PkMS Pronto, formerly known as Logistics PRO NT, was acquired through the acquisition of Intrepa, L.L.C. in October, 2000. It is marketed to Tier 3 companies (i.e., companies with less than $250 million in revenues). Development efforts related to PkMS Pronto are directed toward building and enhancing functionality requirements of Tier 3 companies. We continue to develop new and enhanced functionality for PkMS. Additionally, we plan to dedicate significant resources to further develop and enhance our MA Optimize Suite, consisting of SlotInfo, WorkInfo and SmartInfo. Sales of MA

Optimize products accounted for approximately 19% of our software fees in 2001. The integration of the significant functionality of Logistics PRO TMS, a transportation management system acquired through the acquisition of Intrepa, into PkMS was completed in the second half of 2001. We expect Logistics PRO TMS will continue to be sold as a separate product.

Our research and development expenses for the years ended December 31, 2001, 2000 and 1999 were $19.4 million, $16.1 million, and $10.2 million, respectively. We intend to continue to invest heavily in product development.

COMPETITION

Our products are targeted at the x-SCE market, which is highly fragmented, intensely competitive and characterized by rapid technological change. The principal competitive factors affecting the market for our products include:

- vendor and product reputation;

- compliance with industry standards;

- product architecture, functionality and features;

- ease and speed of implementation;

- return on investment;

- product quality, price and performance; 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 extended supply chain, as well as the enterprise as a whole. Our existing competitors include:

- supply chain execution vendors, including Catalyst International, Inc., EXE Technologies, Inc., HighJump Software, Logistics & Internet Systems Limited, McHugh Software International, Inc., Optum, Inc. and Provia Software, Inc. among others;

- ERP or Supply Chain Management ("SCM") application vendors with products or modules of their product suite offering varying degrees of x-SCE functionality, such as Retek, Inc., J.D. Edwards & Company or SAP AG;

- the corporate information technology departments of current or potential customers capable of internally developing solutions; and

- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our x-SCE solutions.

We may face 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. 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. Both Oracle and SAP have announced plans to enter the market for SCM applications. We believe that the domain expertise required to compete 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 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 give assurance that in the future we will be able to successfully compete against current and future competitors.

INTERNATIONAL OPERATIONS

Our international revenue was approximately $26.1 million, $14.9 million and $5.5 million for the years ended December 31, 2001, 2000 and 1999, respectively, which represents approximately 17%, 11% and 7% of our total revenue for the years ended December 31, 2001, 2000 and 1999, respectively. International revenue includes all revenue derived from sales to customers outside the United States. We now have approximately 100 employees outside the United States, most of whom are located in the United Kingdom and the Netherlands. We recently installed our product in Asia and also began marketing our solutions in Australia, Latin America and the Pacific Rim.

We conduct our direct European operations principally out of an office in the United Kingdom, consisting of approximately 95 employees. We recently signed a multi-year agreement to occupy a facility in Utrecht, The Netherlands to accommodate our planned growth in continental Europe. Total revenue for European operations was approximately $22.1 million, $10.3 million and $3.8 million for the years ended December 31, 2001, 2000 and 1999, respectively, which represents approximately 15%, 8% and 5% of our total revenue for the years ended December 31, 2001, 2000 and 1999, respectively.

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 a registered trademarks for SLOT-IT, Have/Needs Analysis, PTRS, PKMS PickTicket Management System, LogisticsPRO and the Manhattan Associates logo as a design mark. We have pending federal trademark applications for infolink Source, PKAllocate, PKCost, X-SCE, WorkInfo, infolink Order, PkMS Pronto, SlotInfo, SmartInfo, E-Fulfillnow, SystemLink, Driving the New E-Supply Chain, infolink and BizLink. We have no registered copyrights. We generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to, and distribution of, our proprietary information. We license PkMS to our customers in source code format and restrict the customer's use for internal purposes without the right to sublicense the PkMS, SlotInfo, SmartInfo, WorkInfo, infolink or Logistics PRO products. 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 products is difficult, and while we are unable to determine the extent to which piracy of our software products exist, software piracy could become a problem.

As the number of supply chain management applications in the industry increases and the functionality of these products 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, 2001, we had 791 full-time employees. None of our employees are covered by a collective bargaining agreement. We consider our relations with our employees to be good. As of December 31, 2001, certain of our employees were employed pursuant to the H-1(B), non-immigrant work-permitted visa classification.

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and certain information about them are as follows:

NAME	AGE	POSITION
Alan J. Dabbiere	40	Chairman of the Board of Directors(1)
Richard M. Haddrill	48	President, Chief Executive Officer and Director
Neil Thall	55	Executive Vice President -- Professional Services
Deepak Raghavan	35	Senior Vice President, Product Strategy and Director(1)
Jeffry W. Baum	39	Senior Vice President -- International Operations
Thomas W. Williams, Jr.	45	Senior Vice President, Chief Financial Officer and Treasurer
Jeffrey S. Mitchell	34	Senior Vice President -- North American Sales
Brian J. Cassidy	56	Director
John J. Huntz, Jr.	51	Director(2)(3)
Thomas E. Noonan	41	Director(2)(3)

John R. Hardesty........................ 62 Director(2)(3)

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(1) Member of the Executive Committee.

(2) Member of the Compensation Committee.

(3) Member of the Audit Committee.

The Board of Directors is divided into three classes, each of whose members serve for a staggered three-year term. The Board is currently comprised of two Class I directors (Messrs. Dabbiere and Cassidy), two Class II directors (Messrs. Raghavan and Haddrill) and three Class III directors (Messrs. Huntz, Noonan and Hardesty). At each annual meeting of shareholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the Class I directors, Class II directors and Class III directors will expire upon the election and qualification of successor directors at the 2002, 2003 and 2004 annual meetings of shareholders, respectively.

Alan J. Dabbiere, a founder of Manhattan, has served as Chairman of the Board since February 1998 and served as Chief Executive Officer and President of Manhattan from October 1990 until October 1999. From

1986 until 1990, Mr. Dabbiere was employed by Kurt Salmon Associates, a management consulting firm specializing in consumer products manufacturing and retailing, where he specialized in consulting for the retail and consumer products manufacturing industries. At Kurt Salmon Associates, Mr. Dabbiere participated in Quick Response pilot projects focused on the value of an integrated supply-chain initiative. Mr. Dabbiere serves on the American Apparel Manufacturer Association's Management Systems Committee.

Richard M. Haddrill has served as President and Chief Executive Officer of Manhattan since October 1999 and has served on the Board of Directors since October 1999. Prior to joining Manhattan, Mr. Haddrill served as President, CEO and a board member for Powerhouse Technologies, a successful technology, services and gaming company. He served Powerhouse as its Executive Vice President from December 1994 through September 1996 and served as President and Chief Executive Officer from September 1996 through June 1999. From 1992 until 1994, Mr. Haddrill was President of computer software company KnowledgeWare's international subsidiaries. During his employment at Ernst & Young, from 1975 until 1991, Mr. Haddrill held various positions within the company, including Managing Partner and Partner. Mr. Haddrill also serves on the Board of Directors of Danka, a publically-traded office products company.

Neil Thall has served as Executive Vice President -- Professional Services of Manhattan since January 2000. From August 1998 to January 2000, Mr. Thall served as Senior Vice President -- Supply Chain Strategy; and from January 1998 to August 1998, he served as Vice President -- Supply Chain Strategy of Manhattan. From February 1997 through January 1998, Mr. Thall served as the Principal of Neil Thall Consulting. From January 1992 to July 1997, Mr. Thall served as President of Neil Thall Associates, a software development and management consulting subsidiary of HNC Software that specialized in inventory management, Quick Response and vendor managed inventory initiatives. Prior to 1992, Mr. Thall was employed by Kurt Salmon Associates as National Service Director -- Retail Consulting, where he specialized in the development and implementation of information systems for major department stores and specialty and mass merchant chains.

Deepak Raghavan, a founder of Manhattan, has served as Senior Vice President of Manhattan since August 1998 and as a Director since February 1998. Mr. Raghavan has served as Senior Vice President -- Product Strategy since January 2001, and he served as our Chief Technology Officer from 1990 until

2001. From 1987 until 1990, Mr. Raghavan was a Senior Software Engineer for Infosys Technologies Limited, a software development company, where he specialized in the design and implementation of information systems for the apparel manufacturing industry.

Jeffry W. Baum has served as Senior Vice President -- International Operations of Manhattan since January 2000. From March 1998 to January 2000, Mr. Baum served as Vice President, International Business Development. From January 1997 until February 1998, Mr. Baum served as Vice President, Sales and Marketing of Haushahn Systems & Engineers, a warehouse management systems and material handling automation provider. From March 1992 until December 1996, Mr. Baum served as Senior Account Manager at Haushahn. Prior to that, Mr. Baum served in a variety of business development, account management and marketing positions with Logisticon and Hewlett-Packard.

Thomas W. Williams, Jr. has served as Senior Vice President of Manhattan since January 2001 and Chief Financial Officer and Treasurer of Manhattan since February 2000. Mr. Williams served as a Vice President of Manhattan from February 2000 through January 2001. From February 1996 to February 2000, Mr. Williams served as Group Vice President, Finance and Administration for Sterling Commerce, a worldwide leader in providing e-business solutions for the Global 5000 companies. From December 1994 to February 1996, Mr. Williams served as Division Vice President, Finance and Administration for Sterling Software, one of the 20 largest independent software companies in the world. From June 1989 to December 1994, Mr. Williams held various senior management finance and accounting positions with KnowledgeWare, which was acquired by Sterling Software in 1994. Mr. Williams joined KnowledgeWare from Ernst & Young.

Jeffrey S. Mitchell has served as Senior Vice President, North American Sales of Manhattan since February 2001. Prior to that, Mr. Mitchell served in various sales management roles at Manhattan since April 1997, including Vice President, North American Sales from May 1999 through February 2001. From April 1995 until April 1997, Mr. Mitchell was a sales representative for Intrepa (formerly The Summit Group), a

provider of warehouse and transportation management packages that was acquired by Manhattan in October 2000. From May 1991 until April 1995, Mr. Mitchell served in various aspects of account management in the employer services division of ADP providing outsource payroll and human resources solutions.

Brian J. Cassidy has served as a Director of Manhattan since May 1998. Mr. Cassidy has served as the Vice-Chairman and Co-Founder of Webforia, formally known as LiveContent, a developer and supplier of computer software applications, since April 1996. Prior to joining Webforia, Mr. Cassidy served as Vice President of Business Development of Saros Corporation, a developer of document management software, from January 1993 to March 1996. Prior to joining Saros Corporation, Mr. Cassidy was employed by Oracle Corporation, as Joint Management Director of European Operations and a member of the Executive Management Board from 1983 to 1988 and as Worldwide Vice President of Business Development from 1988 to 1990.

John J. Huntz, Jr. has served as a Director of Manhattan since January 1999. Mr. Huntz has served as Managing Director of Fuqua Ventures, LLC, a private equity investment firm, since March 1998. Mr. Huntz served as Executive Vice President and Chief Operating Officer of Fuqua Enterprises, a company that manufactures health-care products, from August 1995 to March 1998 and as its Senior Vice President from March 1994 until August 1995. From September 1989 to January 1994, Mr. Huntz served as the Managing Partner of Noble Ventures International, a private international investment company. From 1984 to 1989, Mr. Huntz held the position of Director of Capital Resources for Arthur Young & Company, and from 1979 to 1984, Mr. Huntz was with Harrison Capital, Inc., a venture capital investment subsidiary of Texaco, Inc. Mr. Huntz founded and serves as President of the Atlanta Venture Forum, a risk capital network, and is a member of the National Association of Small Business Investment Companies. Mr. Huntz serves as a director and chairman of the compensation committee of GMP

Companies, a developer of medical technologies.

Thomas E. Noonan has served as a Director of Manhattan since January 1999. Mr. Noonan has served as the President and as a Director of Internet Security Systems, Inc., a provider of network security monitoring, detection and response software, since June 1995, and as its Chief Executive Officer and Chairman of the Board of Directors since November 1996. Prior to joining Internet Security Systems, Mr. Noonan served as Vice President, Sales and Marketing with TSI International, Inc., an electronic commerce company, from September 1994 until August 1995. From November 1989 until October 1994, Mr. Noonan held high-level sales and marketing position at Dun & Bradstreet Software, a developer of enterprise business software.

John R. Hardesty has served as a Director of Manhattan since July 2000. Mr. Hardesty has been self-employed as an investor since March 1995. Since 1995, Mr. Hardesty has served as owner and Chairman of the Board of Directors of Thermo Dynamics, Inc., a quartz manufacturing company. From 1988 until 1995, Mr. Hardesty was the owner and chairman of Dixson, a manufacturer of electronic instruments for the heavy-duty truck market and process control market.

ITEM 2. PROPERTIES

Our principal administrative, sales, marketing, support and research and development facility is located in approximately 135,398 square feet of modern office space in Atlanta, Georgia. Substantially all of this space is leased to us through March 31, 2008. At this time, our office space is adequate to meet our immediate needs; however, we may expand into additional facilities in the future. We also occupy a facility under a multi-year agreement in Bracknell, United Kingdom, and have signed a multi-year agreement in the first quarter of 2002 to occupy a facility in Utrecht, The Netherlands. We also occupy offices under short-term agreements in other geographical regions.

ITEM 3. LEGAL PROCEEDINGS

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. We are not currently a party to any material legal proceeding that would require disclosure under this Item.

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, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our common stock is traded on the Nasdaq National 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 National Market for the periods indicated:

FISCAL PERIOD	HIGH PRICE	LOW PRICE

2000		
First Quarter	$34.25	$ 7.38
Second Quarter	31.75	18.69
Third Quarter	61.25	24.50
Fourth Quarter	71.31	32.63
2001		
First Quarter	$42.88	$15.56
Second Quarter	40.01	10.94
Third Quarter	39.43	12.90
Fourth Quarter	35.78	17.22

The closing sale price of our common stock as reported by the Nasdaq National Market on March 31, 2002 was $38.10. The number of shareholders of record of our common stock as of March 31, 2002 was approximately 62.

Prior to our initial public offering in April 1998, our predecessors historically made distributions to shareholders related to their limited liability company status and the resulting tax payment obligations imposed on its shareholders. 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 by us for investment in our business.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with our 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, 1999, 2000 and 2001, and the balance sheet data as of December 31, 2000 and 2001, 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 year ended December 31, 1997 and 1998, and the balance sheet data as of December 31, 1997, 1998 and 1999, are derived from the audited financial

statements not included herein. Historical and pro forma results are not necessarily indicative of results to be expected in the future.

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF INCOME DATA:					
Revenue:					
Software fees	$ 7,160	$13,816	$14,578	$26,190	$35,436
Services	14,411	32,358	52,889	81,085	97,510
Hardware	10,886	15,891	13,825	25,821	22,651
Allowance for bankrupt customer(3)	--	--	--	--	(4,328)
Total revenue	32,457	62,065	81,292	133,096	151,269
Costs and expenses:					
Cost of software fees	461	702	1,190	1,239	1,455
Cost of services	6,147	15,286	30,643	34,299	42,372
Cost of hardware	8,001	11,791	10,526	20,822	17,983
Research and development	3,025	7,429	10,201	16,106	19,413
Sales and marketing	3,570	9,045	14,344	18,051	22,334
General and administrative	2,842	6,577	12,849	15,123	18,822
In-process research and development and acquisition-related charges	--	1,602	--	3,001	--
Amortization of acquisition-related intangibles	133	372	1,102	1,165	5,240
Total costs and expenses	24,179	52,804	80,855	109,806	127,619
Income from operations	8,278	9,261	437	23,290	23,650
Other income, net	56	1,070	1,218	2,718	2,059

Income before income taxes	8,334	10,331	1,655	26,008	25,709
Income tax expense (benefit):					
Tax provision as a "C" corporation	--	3,329	554	9,740	9,522
Deferred tax adjustment	--	(316)	--	--	--
Net income	$ 8,334	$ 7,318	$ 1,101	$16,268	$16,187
Diluted net income per share	$ 0.40	$ 0.29	$ 0.04	$ 0.53	$ 0.53
Shares used in computing diluted net income per share	20,761	25,651	26,553	30,453	30,742
Income before pro forma income taxes	$ 8,334	$10,331			
Pro forma income taxes(1)	3,023	4,244			
Pro forma net income(1)	$ 5,311	$ 6,087			
Pro forma diluted net income per share(2)		$ 0.24			
Shares used in computing pro forma diluted net income per share(2)		25,686			

	DECEMBER 31,				
	1997	1998	1999	2000	2001
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	$ 3,194	$32,763	$39,915	$ 67,667	$104,189
Working capital	6,268	44,561	46,948	70,192	101,224
Total assets	15,006	67,775	80,923	152,375	180,703
Total shareholders' equity	8,454	55,635	58,606	110,001	141,187

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(1) In connection with the conversion from limited liability company status on April 23, 1998, we became subject to federal and state corporate income taxes. Pro forma net income is presented as if we had been subject to corporate income taxes for all periods presented.

(2) See Note 1 of Notes to Consolidated Financial Statements.

(3) In connection with a significant customer filing for bankruptcy under Chapter 11 of the United States Bankruptcy Code, an allowance of $4.3 million was recorded to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. See Note 1 of Notes to Consolidated Financial Statements for further details.

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 constitute forward-looking statements. These forward-looking statements are subject to business and economic risks and uncertainties, and our actual results of operations may differ materially from those contained in the forward-looking statements.

OVERVIEW

We are a leading global provider of technology-based solutions to improve the effectiveness of and the efficiencies within the extended supply chain. Our solutions, which consist of software, services and hardware, enhance distribution efficiencies through the real-time integration of extended supply chain constituents, including manufacturers, distributors, retailers, suppliers, transportation providers and consumers. Our software provides solutions for the three principal elements of extended supply chain execution, or x-SCE: collaboration, execution and optimization. Collaboration solutions provide real-time synchronization of key processes and their associated information flows across the extended supply chain, including customer process synchronization, trading partner personalization, supplier process enablement, carrier compliance and communication, global inventory visibility and supply chain event management. Execution solutions include the performance of the many processes that take place in the warehouse and distribution center, beginning with the placement of an order by a customer and ending with the fulfillment and delivery of the order to the end customer. Optimization solutions use analytic tools and techniques to improve the efficiency of distribution center operations through the use of either rules-based or algorithm-based models to solve problems that are too complex or too time consuming for manual processing. We also provide services, including design, configuration, implementation and training services, plus customer support services and software enhancement subscriptions. We currently provide our solutions to manufacturers, distributors, retailers, suppliers and transportation providers primarily in the following markets: retail, consumer goods, direct-to-consumer, food and grocery, third-party logistics, industrial and wholesale, high technology and electronics, and healthcare and pharmaceuticals.

Critical Accounting Policies and Estimates

The consolidated financial statements include accounts of the company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenues and Revenue Recognition

Our revenues consist of fees from the licensing of software; fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment.

We recognize software fees in accordance with 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"). Under SOP 97-2, we recognize software license revenue when the following criteria are met: (1) a signed contract is obtained; (2) shipment of the product has occurred; (3) the license fee is fixed or determinable; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant. 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. SOP 98-9 was effective for transactions entered into after March 15, 1999, and we adopted the residual method for such arrangements at that time. For those contracts that contain significant future obligations, license revenue is recognized under the percentage of completion method.

Fees from professional services performed by us are generally billed on an hourly basis, and revenue is recognized as the services are performed. From time to time, we will enter into professional services agreements in which billings are limited to contractual maximums for portions of or all of the engagement. Fees from customer support services and software enhancement subscriptions are generally paid in advance and recognized as revenue ratably over the term of the agreement, typically 12 months.

Hardware 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. These products include computer equipment, radio frequency terminal networks, bar code printers and scanners and other peripherals. We generally purchase hardware from our vendors only after receiving an order from a customer, and revenue is recognized upon shipment by the vendor to the customer.

Accounts Receivable

We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. 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. Our top five customers in aggregate accounted for 21%, 22% and 10% of total revenue for each of the years ended December 31, 2001, 2000, and 1999, respectively. Sales to one customer ("the significant customer") accounted for approximately 10% of total revenue for the year ended December 31, 2001. Most of the revenue from the significant customer in 2001 arose from purchases of hardware. No single customer accounted for more than 10% of revenue in 2000 or 1999. Accounts receivable from the significant customer on December 31, 2001 was approximately $4.3 million.

On January 22, 2002, the significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of $4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. The allowance includes approximately $2.3 million of software fees, $1.6 million of fees for professional services and $0.4 million of hardware. Additionally, we billed the significant customer approximately $0.9 million for professional services during January 2002 prior to the Chapter 11 filing. These accounts receivable will be evaluated for collectibility in the first quarter of 2002.

Valuation of long-lived and intangible assets and goodwill

We assess the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;

- significant negative industry or economic trends;

- significant decline in our stock price for a sustained period; and

- our market capitalization relative to net book value.

When we determine that the carrying value of intangibles, long-lived assets and related goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Net intangible assets, long-lived assets, and goodwill amounted to $27.5 million as of December 31, 2001.

In 2002, Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" became effective and as a result, we will cease to amortize approximately $21.3 million of goodwill. We had recorded approximately $3.0 million of amortization on these amounts during 2001 and would have recorded approximately $3.0 million of amortization during 2002. In lieu of amortization, we are required to perform an initial impairment review of our goodwill in 2002 and an annual impairment review thereafter.

We currently do not expect to record an impairment charge upon completion of the initial impairment review. However, there can be no assurance that at the time the review is completed a material impairment charge will not be recorded.

Acquisition

On October 24, 2000, we acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consisted of a cash payment of $13.0 million, the issuance of approximately $10.0 million of our $.01 par value per share common stock (totaling 236,957 shares), and the issuance by us of a promissory note for $7.0 million. We also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price included the assumption of substantially all of the liabilities of Intrepa, including immediate payment by us of the remaining $2.0 million of principal and up to $15,000 of interest on a promissory note previously issued by Intrepa. The acquisition has been accounted for under the purchase method of accounting. Based on an independent appraisal, the purchase price has been allocated to net liabilities assumed of $2.6 million, acquired research and development of $2.4 million, acquired developed technology of $7.5 million, and other intangible assets of $23.3 million. Acquired developed technology is being amortized over an estimated five-year useful life and other intangible assets are being amortized over a seven-year useful life. In connection with this acquisition, we realigned our resources, which resulted in severance-related expenses of $576,000 during the quarter ended December 31, 2000.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentages of total revenues represented by certain items reflected in our consolidated statements of income:

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
STATEMENT OF INCOME DATA:			
Revenue:			
Software fees	17.9%	19.7%	23.4%
Services	65.1	60.9	64.5
Hardware	17.0	19.4	15.0
Allowance for bankrupt customer	--	--	(2.9)

Total revenue	100.0	100.0	100.0
Costs and expenses:			
Cost of software fees	1.5	0.9	1.0
Cost of services	37.7	25.8	28.0
Cost of hardware	12.9	15.6	11.9
Research and development	12.6	12.1	12.8
Sales and marketing	17.6	13.6	14.8
General and administrative	15.8	11.4	12.4
In-process research and development and acquisition-related charges	--	2.2	--
Amortization of acquisition-related intangibles	1.3	0.9	3.5
Total operating expenses	99.4	82.5	84.4
Income from operations	0.6	17.5	15.6
Other income, net	1.5	2.0	1.4
Income before income taxes	2.1	19.5	17.0
Income tax provision	0.7	7.3	6.3
Net income	1.4%	12.2%	10.7%

YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001

REVENUE

Our revenue consists of fees generated from the licensing of software; fees from professional services, customer support services and software enhancement subscriptions; and sales of complementary radio frequency and computer equipment, which are considered non-strategic. Total revenue increased 63.7% from $81.3 million in 1999 to $133.1 million in 2000, reflecting an overall growth in demand for our x-SCE solutions. Total revenue increased 13.7% from $133.1 million in 2000 to $151.3 million in 2001, reflecting continued growth in fees from licensing software and professional services partially offset by a 12.3% decline in non-strategic hardware sales. We believe our revenue growth in 2001 is attributable to several factors, including, among others, geographic expansion, our market leadership positions as to breadth of product offerings and financial stability and a compelling return on investment proposition for our customers. In spite of the increase in software fees and services revenue over the prior year, we have experienced some effects from the deterioration of the United States' and European economies in the form of delayed and cancelled buying decisions by customers for our software, services and hardware, deferrals by customers of services engagements previously scheduled and pressure by our customers and competitors to discount our offerings. We believe that prolonged continuation of or further deterioration in the current macro-economic conditions and business climates within the United States and/or other geographic regions in which we operate, principally the United Kingdom and continental Europe, could have a material adverse impact on our operations. Our business plans consider a modest improvement in the United States' economy in the second half of 2002.

Software Fees. Software fees increased from $14.6 million in 1999 to $26.2 million in 2000, an increase of $11.6 million or 79.7%. Software fees increased from $26.2 million in 2000 to $35.4 million in 2001, an increase of $9.2 million or 35.3%. The increases in software fees were principally due to increases in: (i) sales of software licenses outside of the United States, which accounted for approximately 9%, 13% and 22% of software fees in 1999, 2000 and 2001, respectively; and (ii) sales of new, internally-developed products, including WorkInfo, SmartInfo and infolink, and acquired products from Intrepa, including PkMS Pronto and Logistics PRO TMS, all of which collectively accounted for approximately 3.2%, 10.3% and 19.6% of software fees in 1999, 2000 and 2001, respectively. Additionally, we have experienced an increase in sales of PkMS, our flagship product, due to growing market acceptance and increased product functionality. See the discussion below regarding Allowance for Bankrupt Customer.

Services. Services revenue increased from $52.9 million in 1999 to $81.1 million in 2000, an increase of $28.2 million or 53.3%. Services revenue increased from $81.1 million in 2000 to $97.5 million in 2001, an increase of $16.4 million or 20.2%. The increases in services revenue were principally due to: (i) an increase in the number of engagements required in order to implement the software sold; (ii) an increase in the number of engagements to upgrade existing customers to more current versions of our offerings; and (iii) increased revenue from customer support and software enhancement subscriptions on a growing installed base. The decline in the rate of services growth in 2001 is attributable to planned implementation efficiencies, a planned increase in the provision of work by systems integrators and greater sales of our optimization and collaboration products with less implementation requirements. See the discussion below regarding Allowance for Bankrupt Customer.

Hardware. Hardware revenue increased from $13.8 million in 1999 to $25.8 million in 2000, an increase of $12.0 million or 86.8%. Hardware revenue decreased from $25.8 million in 2000 to $22.7 million in 2001, a decrease of $3.1 million or 12.3%. Sales of hardware are non-strategic and largely dependent upon customer-specific desires. The increase in 2000 was attributable to PkMS implementations of larger scope, prompting customers seeking a unified solution to purchase more hardware from us. The decline in hardware sales in 2001 is principally attributable to customers' desires in the current macro-economic environment to buy hardware from other suppliers offering greater discounts.

Allowance for Bankrupt Customer. On January 22, 2002, a significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of $4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. The allowance includes approximately $2.3 million of software fees, $1.6 million of fees for professional services and $0.4 million of hardware. Going forward, any additional charges and payments by the significant customer relative to the $4.3 million will be recorded against the allowance. The significant customer has requested us to proceed with the implementation of the software it purchased from us. Through March 31, 2002, our billings for implementation services rendered post-bankruptcy have been paid in ordinary course.

COSTS AND EXPENSES

Cost of Software Fees. Cost of software fees consists of the costs associated with software reproduction and delivery; media, packaging, documentation and other related costs; royalties on third-party software sold with or as part of our products; and the amortization of research and development costs capitalized prior to the third quarter of 1999. Cost of software fees was 8.2%, 4.7% and 4.1% of software fees for 1999, 2000 and 2001, respectively. Fiscal 1999 included approximately $472,000 of expenses from amounts previously capitalized on products discontinued, which were not present in 2000 and 2001. Lower royalties owed to third parties from sales of software licenses accounts for the decline in cost of software fees from 2000 to 2001.

Cost of Services. Cost of services revenue consists primarily of salaries and other personnel-related expenses of employees dedicated to professional services and customer support services. Cost of services revenue increased from $30.6 million in 1999, or 57.9% of services revenue, to $34.3 million in 2000, or 42.3% of services revenue, to $42.4 million in 2001, or 43.5% of services revenue. The increases in cost of services

revenue were directly related to increases in the number of employees and contracted personnel dedicated to the delivery of professional services. The decrease in cost of services revenue as a percentage of services revenue from 1999 to 2000 was due to: (i) increased efficiencies in the delivery of professional services; (ii) planned efficiency initiatives associated with implementations of our software; and (iii) increased revenue from customer support and software enhancement subscriptions, which generate a higher gross margin. The 1.2% increase in cost of services as a percent of services revenue in 2001 over 2000 is attributable to additional costs associated with our growing international business, including the temporary use of U.S. and contracted personnel on international engagements and the costs to hire and train our growing international services organization, coupled with market pricing pressures in a slower economy.

Cost of Hardware. Cost of hardware revenue increased from $10.5 million in 1999, or 76.1% of hardware revenue, to $20.8 million in 2000, or 80.6% of hardware revenue, and decreased to $18.0 million in 2001, or 79.4% of hardware revenue. Fluctuations in cost of hardware are directly related to the amount of hardware sold. Cost of hardware as a percentage of hardware sales fluctuates depending upon the type of equipment sold and the discount we are willing to provide.

Research and Development. Research and development expenses primarily consist of salaries and other personnel-related costs of personnel involved in our product development efforts. Our research and development expenses increased from $10.2 million in 1999, or 12.6% of total revenue, to $16.1 million in 2000, or 12.1% of total revenue, to $19.4 million in 2001, or 12.8% of total revenue. The increases in research and development expenses are principally due to an increase in the number of research and development personnel. As of December 31, 2001, we employed 184 research and development personnel, up from 89 at December 31, 1999. The increase in research and development expenses in 2000 over 1999 reflects the costs and expenses of a greater number of employees and contracted personnel dedicated to the development and enhancement of all versions of PkMS, as well as our Optimize Suite and infolink. Additionally, the fourth quarter 2000 acquisition of Intrepa provided research and development personnel, approximately 35 of whom we employed at December 31, 2001, dedicated to the development and enhancement of PkMS Pronto and Logistics PRO TMS. We capitalized $909,000 of internal research and development costs in 1999, of which approximately $150,000 of such capitalized costs remained as of December 31, 2001. During 2001, research and development activities included, among other things, the ongoing development and enhancement of the N-Tier version of PkMS, PkMS Pronto, our Optimize Suite and infolink. Additionally, during 2001, we made payments of approximately $717,000 to an outside research and development organization to internationalize PkMS into Japanese, German, French and Spanish. These payments have been classified as Other Assets and will be amortized over a three-year period beginning in January 2002.

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 programs and related activities. Sales and marketing expenses increased from $14.3 million in 1999, or 17.6% of total revenue, to $18.1 million in 2000, or 13.6% of total revenue, to $22.3 million in 2001, or 14.8% of total revenue. The increases in sales and marketing expenses are principally attributable to: (i) growth in the number of international and domestic sales and marketing personnel; (ii) greater incentive compensation paid on greater level of sales; and (iii) continued expansion of our sales and marketing programs around our x-SCE offerings. The increase in sales and marketing expenses as a percent of total revenue in 2001 over 2000 was principally attributable to increases in expenditures to staff, brand and launch newly developed and acquired products.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related costs of executive, financial, human resources and administrative personnel, as well as facilities, depreciation and amortization of tangible assets, legal, insurance, accounting and other administrative expenses. General and administrative expenses increased from $12.8 million in 1999, or 15.8% of total revenue, to $15.1 million in 2000, or 11.4% of total revenue, to $18.8 million in 2001, or 12.4% of total revenue. The increases in general and administrative expenses were principally attributable to increased depreciation and amortization expense and additional executive compensation, administrative costs and personnel needed to grow our business and improve our infrastructure. We were able to leverage our infrastructure substantially in 2000 with the growth in our business. Growth within our international operations, representing 17% of revenues in 2001 as compared to 11% of revenues in 2000, required additional investments in infrastructure in

2001. Depreciation expense included in general and administrative expenses was $3.2 million, $4.3 million and $5.7 million during 1999, 2000 and 2001, respectively.

In-Process Research and Development and Acquisition-Related Charges. On October 24, 2000, we acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consisted of a cash payment of $13.0 million, the issuance of approximately $10.0 million of our $.01 par value per share common stock (totaling 236,957 shares), and the issuance by us of a promissory note for $7.0 million. We also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price included the assumption of substantially all of the liabilities of Intrepa, including immediate payment by us of the remaining $2.0 million of principal and up to $15,000 of interest on a promissory note previously issued by Intrepa. The acquisition has been accounted for under the purchase method of accounting. Based on an independent appraisal, the purchase price has been allocated to net liabilities assumed of $2.6 million, acquired research and development of $2.4 million, acquired developed technology of $7.5 million, and other intangible assets of $23.3 million. Acquired developed technology is being amortized over an estimated five-year useful life and other intangible assets are being amortized over a seven-year useful life. In connection with this acquisition, we realigned our resources, which resulted in severance-related expenses of $576,000 during the quarter ended December 31, 2000.

Amortization of Acquisition-Related Intangibles. We have recorded goodwill and other intangible assets as part of the purchase accounting associated with three acquisitions: (i) the acquisition of Performance Analysis Corporation in February 1998; (ii) the acquisition of certain assets of Kurt Salmon Associates in October 1998; and (iii) the acquisition of Intrepa in October 2000. Amortization of acquisition-related intangibles increased from $1.1 million in 1999, or 1.3% of total revenue, to $1.2 million in 2000, or 0.9% of total revenue, to $5.2 million in 2001, or 3.5% of total revenue, as a direct result of these acquisitions. The increases in 2000 and 2001 were attributable to amortization expense of $790,000 in 2000 and $4.9 million in 2001 associated with the acquisition of Intrepa. Effective January 1, 2002, the Company has adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires that goodwill and certain intangible assets, including those recorded in past business combinations and existing as of June 30, 2001, no longer be amortized to earnings, but instead be tested for impairment at least annually.

Operating Income. Operating income increased from $437,000 in 1999, or 0.6% of total revenue, to $23.3 million in 2000, or 17.5% of total revenue, to $23.7 million in 2001, or 15.6% of total revenue. Operating income in 1999 reflects the costs and expenses of excessive personnel and charges to operations to recruit new members to our executive management team, to realign our resources and to write-off intangible assets associated with impaired and discontinued products. The substantial increases in operating income in 2000 and 2001 represent a combination of significant growth in higher margin software and services fees and improved efficiencies across all areas of our business. Operating income for 2000 reflects a non-recurring charge totaling $3.0 million associated with the acquisition of Intrepa and non-cash, acquisition-related intangible asset amortization totaling $1.2 million. Operating income for 2001 reflects an allowance for a bankrupt customer totaling $4.3 million and non-cash, acquisition-related intangible asset amortization totaling $5.2 million, all as discussed above. Excluding these items, operating income would be $27.5 million, or 20.6% of total revenues, in 2000 and $33.2 million, or 21.3% of total revenues, in 2001.

OTHER INCOME, NET

Other income, net, includes interest earnings on short-term investments, interest expense incurred for obligations under capital lease, interest expense on the note payable issued in connection with the acquisition of Intrepa and foreign exchange gains and losses. Other income, net, increased from $1.2 million in 1999, or 1.5% of total revenue, to $2.7 million in 2000, or 2.0% of total revenue, and decreased to $2.1 million in 2001, or 1.4% of total revenue. The increase in other income, net, in 2000 was primarily due to the increase in cash available for investment during the year, partially offset by approximately $100,000 of interest expense on the Intrepa note payable. The decrease in other income, net, in 2001 was due to an overall decline in market interest along with an increase in interest expense to $525,000 in 2001 on the note payable to Intrepa.

INCOME TAXES

Provision for Income Taxes. The provision for income taxes was $554,000 in 1999, compared to $9.7 million in 2000, and $9.5 million in 2001. The increase in the provision for income taxes for 2000 is attributable to the substantial increase in income before income taxes in 2000. The decrease in the provision for income taxes for 2001 is attributable to an increase in income generated in countries with lower tax rates. Our effective income tax rates were 33.5%, 37.5% and 37.0% in 1999, 2000 and 2001, 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 provisions for income taxes for 1999, 2000 and 2001 do not include the $730,000, $13.5 million and $9.0 million of tax benefits realized from stock options exercised during the years, respectively. These tax benefits reduce our income tax liabilities and are included as an addition to additional paid-in capital.

EARNINGS PER SHARE

Net Income per Share. Net income was $1.1 million, or 1.4% of total revenue and $0.04 per diluted share for the year ended December 31, 1999. Net income was $16.3 million, or 12.2% of total revenue and $0.53 per diluted share for the year ended December 31, 2000. The increase in net income in 2000 over 1999 is principally attributable to 63.7% growth in revenue combined with improved efficiencies across all areas of our business. Net income was $16.2 million, or 10.7% of total revenue and $0.53 per diluted share for the year ended December 31, 2001. Net income for 2001 was negatively impacted by the $4.3 million allowance for the bankrupt customer, or approximately $.09 per diluted share, as discussed above. Excluding the effect of the non-recurring in-process research and development and acquisition-related charges of $3.0 million and amortization of acquisition-related intangibles of $1.2 million, net income for the year ended December 31, 2000 was $18.9 million, or 14.2% of total revenue and $0.62 per diluted share. Excluding the effect of the allowance for the bankrupt customer of $4.3 million and amortization of acquisition-related intangibles of $5.2 million, net income for the year ended December 31, 2001 was $22.2 million, or 14.3% of total revenue and $0.72 per diluted share.

PRO FORMA RESULTS OF OPERATIONS

The following summary of unaudited pro forma consolidated selected statement of income data presents our results of operations for the three years ended December 31, 2001, excluding: amortization of acquisition-related intangibles, the write-off of in-process research and development and other acquisition related charges associated with the acquisition of Intrepa and the allowance for a significant bankrupt customer. We believe the exclusion of these items provides a relevant summary of the results of our operations as they relate to our ongoing core business and we use these measures internally to evaluate our operating performance. This information is not to be construed as a measurement of profitability under generally accepted accounting principles and is not to be accepted or used as an alternative to net income. Additionally, the pro forma results of operations, as presented, may not be consistent with measures used by other companies.

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
PRO FORMA STATEMENT OF INCOME DATA:			
Revenues	$81,292	$133,096	$155,597
Costs and expenses	79,753	105,640	122,379
Income from operations	1,539	27,456	33,218
Other income, net	1,218	2,718	2,059
Income before income taxes	2,757	30,174	35,277
Income tax expense:			
Tax provisions	923	11,302	13,062
Net income	$ 1,834	$ 18,872	$ 22,215
Diluted net income per share	$ 0.07	$ 0.62	$ 0.72
Shares used in computing diluted net income per share	26,553	30,453	30,742

THE ABOVE PRO FORMA AMOUNTS HAVE BEEN ADJUSTED TO EXCLUDE THE FOLLOWING ITEMS:

Allowance for bankrupt customer	$ --	$ --	$ 4,328
Amortization of acquisition-related intangibles	1,102	1,165	5,240
In-process research and development and other acquisition related charges	--	3,001	--
Income tax effect of excluded items	(369)	(1,562)	(3,540)
Net effect of pro forma adjustments	$ 733	$ 2,604	$ 6,028

QUARTERLY RESULTS OF OPERATIONS

The following table presents certain unaudited quarterly statements of income data for each of our last eight quarters for the period ended December 31, 2001, as well as the percentage of our total revenue represented by each item. The information has been derived from our audited Financial Statements. The unaudited quarterly Financial Statements have been prepared on substantially the same basis as the audited Financial Statements contained herein. In the opinion of our management, the unaudited quarterly Financial Statements include all adjustments, consisting only of normal recurring adjustments, that we consider to be necessary to present fairly this information when read in conjunction with our Financial Statements and notes thereto appearing elsewhere herein. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

	QUARTER ENDED							
	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000	MAR. 31, 2001	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA:								
Revenue:								
Software fees	$ 5,036	$ 5,686	$ 6,529	$ 8,939	$ 7,841	$ 9,362	$ 9,206	$ 9,027
Services	17,544	19,228	21,207	23,106	23,497	23,890	24,694	25,429
Hardware	5,763	9,714	5,968	4,376	4,737	2,872	4,521	10,521
Allowance for bankrupt customer	--	--	--	--	--	--	--	(4,328)

Total revenue	28,343	34,628	33,704	36,421	36,075	36,124	38,421	40,649
Costs and expenses:								
Cost of software fees	277	539	192	231	485	385	401	184
Cost of services	8,162	8,029	8,753	9,355	9,898	10,041	10,994	11,439
Cost of hardware	4,701	7,988	4,759	3,374	3,608	2,363	3,729	8,283
Research and development	3,046	3,042	4,213	5,805	5,038	4,706	4,739	4,930
Sales and marketing	3,977	4,631	4,298	5,145	5,313	5,513	5,779	5,729
General and administrative	3,773	3,589	3,743	4,018	4,192	4,657	4,824	5,149
In-process research and development and acquisition-related charges	--	--	--	3,001	--	--	--	--
Amortization of acquisition-related intangibles	94	94	93	884	1,310	1,310	1,310	1,310
Total costs and expenses	24,030	27,912	26,051	31,813	29,844	28,975	31,776	37,024
Income from operations	4,313	6,716	7,653	4,608	6,231	7,149	6,645	3,625
Other income, net	403	587	851	877	550	478	649	382
Income before income taxes	4,716	7,303	8,504	5,485	6,781	7,627	7,294	4,007
Income taxes	1,792	2,775	3,231	1,942	2,509	2,833	2,698	1,482
Net income	$ 2,924	$ 4,528	$ 5,273	$ 3,543	$ 4,272	$ 4,794	$ 4,596	$ 2,525
Diluted net income per share	$ 0.10	$ 0.15	$ 0.17	$ 0.11	$ 0.14	$ 0.16	$ 0.15	$ 0.08
Shares used in diluted net income per share	28,946	29,832	30,900	31,189	30,674	30,748	30,605	30,908

	AS A PERCENTAGE OF TOTAL REVENUE							
	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000	MAR. 31, 2001	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001
Revenue:								
Software fees	17.8%	16.4%	19.4%	24.5%	21.8%	25.9%	24.0%	22.2%
Services	61.9	55.5	62.9	63.4	65.1	66.1	64.3	62.5
Hardware	20.3	28.1	17.7	12.1	13.1	8.0	11.7	25.9
Allowance for bankrupt customer	--	--	--	--	--	--	--	(10.6)
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Costs and expenses:								
Cost of software fees	1.0	1.6	0.6	0.6	1.3	1.1	1.1	0.5
Cost of services	28.8	23.2	26.0	25.7	27.5	27.8	28.6	28.1
Cost of hardware	16.6	23.1	14.1	9.3	10.0	6.5	9.7	20.4
Research and development	10.7	8.8	12.5	15.9	14.0	13.0	12.3	12.1
Sales and marketing	14.0	13.4	12.7	14.1	14.7	15.3	15.0	14.1
General and administrative	13.4	10.3	11.1	11.1	11.6	12.9	12.6	12.7
In-process research and Development and Acquisition-related charges	--	--	--	8.2	--	--	--	--
Amortization of acquisition-related intangibles	0.3	0.3	0.3	2.4	3.6	3.6	3.4	3.2
Total operating expenses	84.8	80.6	77.3	87.3	82.7	80.2	82.7	91.1
Income from operations	15.2	19.4	22.7	12.7	17.3	19.8	17.3	8.9
Other income, net	1.4	1.7	2.5	2.4	1.5	1.3	1.7	1.0
Income before income taxes	16.6%	21.1%	25.2%	15.1%	18.8%	21.1%	19.0%	9.9%

Any factor adversely affecting the markets for x-SCE solutions could have an adverse impact on our business, financial condition, and results of operations at any time. Further, our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Factors that could cause variations in our quarterly revenue and operating results are:

- poor macro-environmental or other economic outlooks in the major geographic regions in which we operate;

- delayed and/or cancelled decisions by customers regarding purchases of our software and services;

- postponements of scheduled implementations and upgrades;

- demand for our products;

- introductions of new products by our competitors;

- the level of price competition by our competitors;

- customers' budgeting and purchasing cycles;

- delays in our implementations at customer sites;

- timing of hiring new services employees and the rate at which such employees become productive;

- development and performance of our direct and indirect sales channels;

- timing of any acquisitions and related costs; and

- identification of software quality problems.

Most of our expenses, such as employee compensation and rent, are relatively fixed. Moreover, 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. A significant portion of license fee contracts are signed

and products delivered in the third month of each fiscal quarter. This trend makes our process of forecasting revenues difficult, particularly when combined with the weak economic environment we have experienced since the end of 2000. As a result of these factors, we believe that period-to-period comparisons of our revenue levels and operating results are not necessarily meaningful. You should not rely on our quarterly revenue and operating results to predict our future performance.

Our ability to undertake new projects and increase revenue is substantially dependent on the availability of our professional services and technical personnel to assist in the implementation of our software solutions. We believe that supporting high growth in revenue requires us to rapidly hire additional, skilled professional services personnel, and there can be no assurance that qualified personnel could be located, trained or retained in a timely and cost-effective manner.

As a result of the foregoing and other factors, we believe that quarter-to-quarter comparisons of results are not necessarily meaningful, and such comparisons should not be relied upon as indications of future performance. Fluctuations in operating results may also result in volatility in the price of the shares of our common stock.

LIQUIDITY AND CAPITAL RESOURCES

Since our initial public offering in April 1998, we have funded our operations primarily through cash generated from operations and the IPO proceeds. As of December 31, 2000, we had $67.7 million in cash, cash equivalents and short-term investments compared to $104.2 million at December 31, 2001.

Our operating activities provided cash of $12.3 million in 1999, $36.4 million in 2000 and $39.4 million in 2001. During 2000, cash from operating activities arose principally from a substantial increase in operating income, improved payments on account by customers and substantial income tax benefits arising from exercises of stock options by employees. Cash from operating activities for 2001 arose principally from an increase in operating income, improved payments on accounts by customers, an accelerated refund of income taxes and substantial income tax benefits arising from exercises of stock options by employees. Days sales outstanding declined from 94 days at December 31, 1999 to 71 days at December 31, 2000 to 60 days at December 31, 2001.

Our investing activities used approximately $20.9 million, $14.3 million and $10.3 million for the years ended December 31, 1999, 2000 and 2001, respectively. During 2000, our principal uses of cash were $12.8 million as a portion of the acquisition price of Intrepa and $5.1 million for purchases of capital equipment partially offset by net sales of $3.6 million in short-term investments. During 2001, our principal uses of cash were $6.1 million for purchases of capital equipment to support our business and infrastructure and net purchases of $3.5 million in short-term investments.

Our financing activities provided approximately $0.6 million in 1999, $9.1 million in 2000, and $3.9 million in 2001. The principal sources of cash provided by financing activities for 2000 and 2001 were the proceeds from the issuance of our common stock pursuant to the exercise of stock options, partially reduced by payments for notes payable either assumed or issued in conjunction with the acquisition of Intrepa. Also during 2001, we purchased 65,000 shares of our common stock for approximately $885,000 through open market transactions as part of a publicly-announced buy-back program.

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.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of

financial position and measure those instruments at fair value. We adopted the new statement on January 1, 2001. The adoption of this Statement did not have a significant impact on our financial statements.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125." This Statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral. This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of this Statement did not have a significant impact on our financial statements.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." This Statement requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The adoption of this Statement did not have a significant impact on our financial statements.

Also in July 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." This Statement requires that goodwill and certain intangible assets, including those recorded in past business combinations, no longer be amortized to earnings, but instead be tested for impairment at least annually. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002 and as a result, we will cease to amortize approximately $21.3 million of goodwill during 2002. We had recorded approximately $3.0 million of amortization on these amounts during 2001 and would have recorded approximately $3.0 million of amortization during 2002. In lieu of amortization, we are required to perform an initial impairment review of our goodwill in 2002 and an impairment review at least annually thereafter.

In November 2001, the FASB issued a Staff Announcement Topic D-103 (Topic D-103), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Topic D-103 establishes that reimbursements received for out-of-pocket expenses should be reported as revenue in the statement of operations. During 2001, we classified reimbursed out-of-pocket expenses as a reduction of operating expenses. We adopted this guidance effective January 1, 2002. Our adoption of Topic D-103 will result in increased services revenue and increased costs of services revenue. Our results of operations for prior periods will be reclassified to conform to the new presentation. The total amount of expense reimbursement recorded to expense was $4.0 million, $5.5 million and $5.1 million for 1999, 2000 and 2001, respectively. Our adoption of Topic D-103 will not affect our net income or loss in any past or future periods.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN EXCHANGE

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. Accordingly, our future results could be materially adversely impacted by changes in these or other factors.

Total international revenue was approximately $5.5 million, $14.9 million and $26.1 million for the years ended December 31, 1999, 2000 and 2001, respectively, which represents approximately 7%, 11% and 17% of our total revenue for the years ended December 31, 1999, 2000 and 2001, respectively. International revenue includes all revenue associated with sales of software, services and hardware outside the United States.

We conduct our direct European operations principally out of an office in the United Kingdom, consisting of approximately 95 employees. Total revenue for European operations was approximately $3.8 million, $10.3 million and $22.1 million for the years ended December 31, 1999, 2000 and 2001, respectively, which represents approximately 5%, 8% and 15% of our total revenue for the years ended December 31, 1999, 2000 and 2001, respectively.

We recognized a foreign exchange rate loss of approximately $130,000 during 2000 and a foreign exchange rate gain of approximately $7,000 in 2001, classified in "Other income, net" on our Condensed Consolidated Statements of Income.

INTEREST RATES

We invest our cash in a variety of financial instruments, including taxable and tax-advantaged variable 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.

Interest income on our investments is carried in "Other income, net" on our Consolidated Financial Statements. 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 115"). All of the cash equivalents and short-term investments are treated as available-for-sale under SFAS 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 at December 31, 2001 was approximately 1.7%, as compared to 6.5% at December 31, 2000. The fair value of cash equivalents and short-term investments held at December 31, 2001 was $81.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

INDEX	PAGE
Report of Independent Public Accountants	39
Consolidated Balance Sheets as of December 31, 2000 and 2001	40
Consolidated Statements of Income for the Years Ended December 31, 1999, 2000 and 2001	41
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1999, 2000 and 2001	42
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 1999, 2000 and 2001	43
Consolidated Statements of Cash Flows for the Years Ended December 31, 1999, 2000 and 2001	44
Notes to Consolidated Financial Statements	45

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Manhattan Associates, Inc.:

We have audited the accompanying consolidated balance sheets of MANHATTAN ASSOCIATES, INC. (a Georgia corporation) AND SUBSIDIARIES as of December 31, 2000 and 2001 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, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Associates, Inc. and subsidiaries as of December 31, 2000 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 31, 2002

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31, 2000	DECEMBER 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 51,032	$ 84,029
Short-term investments	16,635	20,160
Accounts receivable, net of a $4,798 and $8,533 allowance for doubtful accounts in 2000 and 2001, respectively	28,177	26,660
Deferred income taxes	2,488	1,870
Refundable income taxes	5,795	1,624
Other current assets	2,573	4,215
Total current assets	106,700	138,558
Property and equipment:		
Property and equipment	20,020	26,018
Less accumulated depreciation	(9,187)	(14,833)
Property and equipment, net	10,833	11,185
Intangible assets, net of accumulated amortization of $4,381 and $10,029 in 2000 and 2001, respectively	32,454	27,450
Deferred income taxes	2,245	3,322
Other assets	143	188
Total assets	$152,375	$180,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,355	$ 8,285
Accrued compensation and benefits	5,174	5,701
Accrued liabilities	6,348	5,011
Current portion of note payable	1,750	3,500
Current portion of capital lease obligations	176	163
Income taxes payable	374	389
Deferred revenue	13,331	14,285
Total current liabilities	36,508	37,334
Long-term portion of note payable	5,250	1,750
Long-term portion of capital lease obligations	616	432
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2000 or 2001	--	--
Common stock, $.01 par value; 100,000,000 shares authorized, 26,443,996 shares issued and outstanding in 2000 and 27,719,753 shares issued and outstanding in 2001	264	277
Additional paid-in-capital	89,583	104,445

Retained earnings	20,425	36,612
Accumulated other comprehensive loss	(78)	(42)
Deferred compensation	(193)	(105)
Total shareholders' equity	110,001	141,187
Total liabilities and shareholders' equity	$152,375	$180,703

The accompanying notes are an integral part of these consolidated balance sheets.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Revenue:			
Software fees	$14,578	$26,190	$35,436
Services	52,889	81,085	97,510
Hardware	13,825	25,821	22,651
Allowance for bankrupt customer	--	--	(4,328)
Total revenue	81,292	133,096	151,269
Costs and expenses:			
Cost of software fees	1,190	1,239	1,455
Cost of services	30,643	34,299	42,372
Cost of hardware	10,526	20,822	17,983
Research and development	10,201	16,106	19,413
Sales and marketing	14,344	18,051	22,334
General and administrative	12,849	15,123	18,822
In-process research and development and other acquisition-related charges	--	3,001	--
Amortization of acquisition-related intangibles	1,102	1,165	5,240
Total operating expenses	80,855	109,806	127,619
Income from operations	437	23,290	23,650
Other income, net	1,218	2,718	2,059
Income before income taxes	1,655	26,008	25,709
Income tax provision	554	9,740	9,522
Net income	$ 1,101	$16,268	$16,187
Basic net income per share	$ 0.05	$ 0.65	$ 0.60
Diluted net income per share	$ 0.04	$ 0.53	$ 0.53
Weighted average shares:			
Basic	24,084	25,174	27,077
Diluted	26,553	30,453	30,742

The accompanying notes are an integral part of these consolidated statements of income.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	TOTAL SHAREHOLDERS' EQUITY
Balance, December 31, 1998	23,937,874	$239	$ 53,305	$ 3,056	$ (7)	$(958)	$ 55,635
Issuance of stock to minority holder	85,000	1	299	--	--	--	300
Cancellation of common stock options	--	--	(505)	--	--	505	--
Exercise of common stock options	198,713	2	734	--	--	--	736
Tax benefit from stock options exercised	--	--	730	--	--	--	730
Amortization of deferred compensation	--	--	--	--	--	148	148
Foreign currency translation adjustment	--	--	--	--	(23)	--	(23)
Unrealized loss on investments	--	--	--	--	(21)	--	(21)
Net income	--	--	--	1,101	--	--	1,101
Balance, December 31, 1999	24,221,587	242	54,563	4,157	(51)	(305)	58,606
Issuance of stock in connection with the acquisition of Intrepa, L.L.C.	173,900	2	10,235	--	--	--	10,237
Cancellation of common stock options	--	--	(27)	--	--	27	--
Exercise of common stock options	2,048,509	20	11,290	--	--	--	11,310
Tax benefit from stock options exercised	--	--	13,522	--	--	--	13,522
Amortization of deferred compensation	--	--	--	--	--	85	85
Foreign currency translation adjustment	--	--	--	--	(52)	--	(52)
Unrealized gain on investments	--	--	--	--	25	--	25
Net income	--	--	--	16,268	--	--	16,268
Balance, December 31, 2000	26,443,996	264	89,583	20,425	(78)	(193)	110,001
Issuance of stock in connection with the acquisition of Intrepa, L.L.C.	63,057	1	(1)	--	--	--	--
Cancellation of common stock options	--	--	(6)	--	--	6	--
Exercise of common stock options	1,277,700	13	6,704	--	--	--	6,717
Buyback of Manhattan common stock	(65,000)	(1)	(884)	--	--	--	(885)
Tax benefit from stock options exercised	--	--	9,049	--	--	--	9,049
Amortization of deferred compensation	--	--	--	--	--	82	82
Foreign currency translation adjustment	--	--	--	--	(33)	--	(33)
Unrealized gain on investments	--	--	--	--	69	--	69
Net income	--	--	--	16,187	--	--	16,187
Balance, December 31, 2001	27,719,753	$277	$104,445	$36,612	$(42)	$(105)	$141,187

The accompanying notes are an integral part of these consolidated statements of shareholders' equity.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1999	2000	2001
Net income	$1,101	$16,268	$16,187
Other comprehensive net loss, net of tax:			
Foreign currency translation adjustment, net of taxes of $9, $20, and $12 in 1999, 2000 and 2001, respectively	(14)	(32)	(21)
Unrealized gain (loss) on investments, net of taxes of $8,			

$9, and $26 in 1999, 2000 and 2001, respectively	(13)	16	43
Other comprehensive income (loss)	(27)	(16)	22
Comprehensive net income	$1,074	$16,252	$16,209

The accompanying notes are an integral part of these consolidated statements of comprehensive income.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Cash flows from operating activities:			
Net income or pro forma net income	$ 1,101	$ 16,268	$ 16,187
Adjustments to reconcile net income or pro forma net income to net cash provided by operating activities:			
Pro forma income taxes	--	--	--
Depreciation and amortization	4,035	4,935	6,128
Amortization of acquisition-related intangibles	1,102	1,165	5,240
Stock compensation	448	85	82
Loss (gain) on disposal of equipment	(22)	--	11
Acquired in-process research and development	--	2,425	--
Tax benefit of options exercised	730	13,522	9,049
Deferred income taxes	(1,829)	(2,127)	(459)
Accrued interest on note payable	--	103	105
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(3,470)	(2,181)	1,385
Other assets	189	(988)	(1,627)
Accounts payable	(409)	4,484	(1,050)
Accrued liabilities	2,253	4,051	(886)
Income taxes	2,052	(7,467)	4,196
Deferred revenue	6,072	2,081	994
Net cash provided by operating activities	12,252	36,356	39,355
Cash flows from investing activities:			
Purchases of property and equipment	(4,754)	(5,089)	(6,101)
Proceeds from the sale of equipment	22	--	--
Capitalized internally-developed software	(909)	--	--
Purchased software development costs	--	--	(717)
Net sales (purchases) of short-term investments	(15,229)	3,610	(3,456)
Payments in connection with the acquisition of certain assets of Intrepa, L.L.C., net of cash acquired	--	(12,780)	--
Net cash used in investing activities	(20,870)	(14,259)	(10,274)
Cash flows from financing activities:			
Repayment of note payable	--	(2,000)	(1,750)
Payment of capital lease obligations	(155)	(170)	(197)
Purchase of Manhattan common stock	--	--	(885)
Proceeds from issuance of common stock	736	11,310	6,717
Net cash provided by financing activities	581	9,140	3,885
Foreign currency impact on cash	(19)	100	31
Increase (decrease) in cash and cash equivalents	(8,056)	31,337	32,997
Cash and cash equivalents, beginning of year	27,751	19,695	51,032
Cash and cash equivalents, end of year	$ 19,695	$ 51,032	$ 84,029

Supplemental cash flow disclosures:

Issuance of common stock in connection with the acquisition of Intrepa, L.L.C.	$ --	$ 10,237	$ --
Issuance of note payable in connection with the acquisition of Intrepa, L.L.C.	$ --	$ 7,000	$ --
Issuance of common stock to Company executive............	$ 300	$ --	$ --
Assets acquired under capital lease......................	$ 151	$ --	$ --
Cash paid for interest...................................	$ 92	$ 79	$ 583
Cash (paid) received for income taxes....................	$ 734	$ (5,717)	$ 4,197

The accompanying notes are an integral part of these consolidated statements of cash flows.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999, 2000 AND 2001

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

Manhattan Associates, Inc. ("Manhattan" or the "Company") is a provider of technology-based solutions to improve supply chain effectiveness and efficiencies within the extended supply chain. The Company's solutions are designed to optimize the receipt, storage, assembly and distribution of inventory and the management of equipment and personnel within a distribution center, and to enhance collaboration between the distribution center and its trading partners. The Company's solutions consist of software, including, a comprehensive suite of robust and modular software products; services, including design, configuration, implementation and training services, plus customer support services and software enhancements subscriptions; and hardware.

The Company's operations are principally in North America and Europe. Its European operations are conducted through its wholly-owned subsidiaries, Manhattan Associates, Ltd and Manhattan Associates Europe, B.V. in the United Kingdom and the Netherlands, respectively. The Company occasionally sells its products in other regions, such as Australia, Latin America and the Far East through its direct sales channel as well as various reseller channels.

PRINCIPLES OF CONSOLIDATION AND FOREIGN CURRENCY TRANSLATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of foreign subsidiaries have been translated into United States dollars in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 52 Foreign Currency Translation. Revenues from international customers were denominated in the respective local currencies and translated using the average monthly exchange rates for the year. The effect on the statements of operations related to transaction gains and losses is insignificant for all years presented. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date and the effect of changes in exchange rates from year to year is insignificant.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash or cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. The Company maintains cash and cash equivalents and short-term investments with two financial institutions. The Company's sales are primarily to companies located in the United States and Europe. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral. Accounts receivable are due principally from large U.S. companies under stated contract terms. The Company provides for estimated credit losses at the time of sale.

Our top five customers in aggregate accounted for 21%, 22% and 10% of total revenue for each of the years ended December 31, 2001, 2000, and 1999, respectively. Sales to one customer ("the significant customer") accounted for approximately 10% of total revenue for the year ended December 31, 2001. Most of

the revenue from the significant customer in 2001 arose from purchases of hardware. No single customer accounted for more than 10% of revenue in 2000 or 1999. Accounts receivable from the significant customer on December 31, 2001 was approximately $4.3 million. On January 22, 2002, the significant customer for 2001 filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result of the filing, the uncertainties around the bankruptcy proceedings and the ultimate timing of payment, we recorded an allowance of $4.3 million in 2001 to effectively defer revenues arising in the fourth quarter of 2001 from the significant customer, but unpaid at the time of the bankruptcy declaration. The allowance includes approximately $2.3 million of software fees, $1.6 million of fees for professional services and $0.4 million of hardware. Additionally, we billed the significant customer approximately $0.9 million for professional services during January 2002 prior to the Chapter 11 filing. These accounts receivable will be evaluated for collectibility in the first quarter of 2002.

Marketable Securities

The Company's investment in marketable securities consists of debt instruments of the U.S. Treasury, U.S. government agencies and corporate commercial paper. These investments are categorized as available-for-sale securities and recorded at fair market value, as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains and losses are reflected as a net amount in a separate component of shareholders' equity until realized. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. At December 31, 2000 and 2001, the cumulative unrealized gain on short-term investments was $4,000 and $73,000, respectively. The following is a summary of the available-for-sale securities (in thousands):

	DECEMBER 31,			
	2000		2001	
	COST	MARKET VALUE	COST	MARKET VALUE
Investments:				
U.S. government and state obligations	$ 5,705	$ 5,708	$10,644	$10,636
U.S. corporate commercial paper	23,043	23,044	30,343	30,421

Canadian government obligations	--	--	2,654	2,657
Total	$28,748	$28,752	$43,641	$43,714

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, and other financial instruments included in the accompanying consolidated balance sheets approximate their fair values principally due to the short-term maturities of these instruments.

Risks Associated with Single Business Line, Technological Advances, and Hardware Revenue

The Company currently derives a substantial portion its revenues from sales of its software and related services and hardware. Any factor adversely affecting the markets for distribution management center

solutions could have an adverse effect on the Company's business, financial condition, and results of operations.

The markets for supply chain collaboration and distribution center management solutions are subject to rapid technological change, changing customer needs, frequent new product introductions, and evolving industry standards that may render existing products and services obsolete. As a result, the Company's position in these markets could be eroded rapidly by unforeseen changes in customer requirements for application features, functions, and technologies. The Company's growth and future operating results will depend, in part, upon its ability to enhance existing applications and develop and introduce new applications that meet changing customer requirements, that respond to competitive products and that achieve market acceptance.

The Company resells a variety of hardware products developed and manufactured by third parties. Revenue from such hardware sales can amount to a significant portion of the Company's total revenue in any period. As the market for distribution of hardware products becomes more competitive, the Company's customers may find it attractive to purchase such hardware directly from the manufacturer of such products, with a resultant decrease in the Company's revenues from hardware.

Revenue Recognition

The Company's revenue consists of revenues from the licensing of software; fees from consulting, implementation and training services (collectively, "professional services"), plus customer support services and software upgrades; and sales of complementary radio frequency and computer equipment.

Effective January 1, 1998, the Company adopted 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"). Under SOP 97-2, the Company recognizes software license revenue 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; (4) collectibility is probable; and (5) remaining obligations under the license agreement are insignificant. 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. SOP 98-9 was effective for transactions entered into after March 15, 1999, and the Company adopted the residual method for such arrangements at that time. For those contracts that contain significant future obligations, license revenue is recognized under the percentage of completion method.

The Company's services revenue consists of fees generated from professional services, customer support services and software enhancement subscriptions related to the Company's software products. Professional services are typically contracted for under separate service agreements. Fees from professional services performed by the Company are generally billed on an hourly basis, and revenue is recognized as the services are performed. Professional services are sometimes rendered under fixed-fee based contracts, but only in instances when the scope of the project is reasonably quantifiable. Revenue related to fixed-fee based contracts is recognized on a percent complete basis based on the hours incurred. Revenue related to customer support services and software enhancement subscriptions are generally paid in advance and recognized ratably over the term of the agreement, typically 12 months.

Hardware 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 the Company's software solutions. As part of a complete x-SCE solution the Company's customers frequently purchase hardware from

the Company in conjunction with the licensing of software. These products include computer hardware, radio frequency terminals networks, bar code printers and scanners, and other peripherals. Hardware revenue is recognized upon shipment to the customer. The Company generally purchases hardware from its vendors only after receiving an order from a customer. As a result, the Company does not maintain significant hardware inventory.

Deferred Revenue

Deferred revenue represents amounts collected prior to complete performance of professional services, customer support services and software enhancement subscriptions and significant obligations under license agreements. The Company expects to complete such services or obligations within the next twelve months.

Returns and Allowances

The Company has not experienced significant returns or warranty claims to date and, as a result, has not recorded a provision for the cost of returns and product warranty claims at December 31, 2000 or 2001.

Property and Equipment

Property and equipment consists of furniture, computers, other office equipment, purchased software for internal use, and leasehold improvements recorded at cost. The Company depreciates the cost of furniture, computers, other office equipment, purchased software and web site development on a straight-line basis over their estimated useful lives (three years for computer equipment and software, five years for office equipment, seven years for furniture). Leasehold improvements are depreciated over the lesser of its useful life or the term of the lease. Included in computer equipment and software is a capital lease of approximately $670,000 and $447,000, net of depreciation, as of December 31, 2000 and 2001, respectively. Depreciation and amortization expense for property and equipment for the years ended December 31, 1999, 2000 and 2001 was approximately $3,213,000, $4,315,000 and $5,719,000, respectively, and was included in general and administrative expenses in the consolidated statements of income.

Property and equipment, at cost, consist of the following (in thousands):

	DECEMBER 31,	
	2000	2001
Computer equipment and software	$13,640	$ 18,598
Furniture and office equipment	4,672	4,837
Leasehold improvements	1,708	2,583
	20,020	26,018
Less accumulated depreciation and amortization	(9,187)	(14,833)
	$10,833	$ 11,185

Intangible Assets

Intangible assets include acquired software, goodwill and capitalized development costs. The assets are being amortized on a straight-line basis over a period of 3 to 10 years. Total amortization expense related to goodwill and acquired software was approximately $1,102,000, $1,165,000 and $5,240,000 for the years ended December 31, 1999, 2000 and 2001, respectively, and is included separately in the accompanying consolidated statements of income. Total amortization expense related to capitalized software development costs was approximately $822,000, $620,000 and $406,000 for the years ended December 31, 1999, 2000 and 2001, respectively, and is included in cost of software fees in the accompanying consolidated statements of income.

During 1999, the Company expensed approximately $300,000 of capitalized software development costs and approximately $495,000 of acquired software and goodwill due to impairment of certain assets, respectively.

Intangible Assets consist of the following (in thousands):

	DECEMBER 31,	
	2000	2001
Goodwill	$26,404	$ 26,331
Acquired software	8,908	8,908
Capitalized software development costs	1,523	2,240
	36,835	37,479
Less accumulated amortization	(4,381)	(10,029)

$32,454	$ 27,450

Software Development Costs

Research and development expenses are charged to expense as incurred. The Company determines the amount of development costs capitalizable under the provisions of SFAS No. 86, "Accounting for Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". Computer software development costs are charged to research and development expense until technological feasibility is established, after which remaining software production costs are capitalized in accordance with SFAS No. 86. The Company has defined technological feasibility as the point in time at which the Company has a detailed program design or a working model of the related product, depending on the type of development efforts. For the years ended December 31, 1999, 2000 and 2001, the Company capitalized approximately $909,000, $0 and $0 of internal research and development costs. Amounts capitalized include salaries, other payroll-related costs, contract labor and other direct expenses. During 2001, payments of approximately $717,000 were made to an outside research and development organization to internationalize PkMS into Japanese, German, French and Spanish. The payments have been classified as Other Assets and will be amortized over a three-year period beginning in January 2002.

Impairment of Long-Lived and Intangible Assets

The Company periodically reviews the values assigned to long-lived assets, including property and intangible assets, to determine whether events and circumstances have occurred which indicate that the remaining estimated useful lives may warrant revision or that the remaining balances may not be recoverable. In such reviews, undiscounted cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. Management believes the long-lived and intangible assets in the accompanying consolidated balance sheets are fairly valued.

Segment Information

The Company operates in a single segment as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." See Note 9 for discussion of foreign operations.

Basic and Diluted Net Income Per Share

Basic net income per share is computed using historical or pro forma net income divided by the weighted average number of shares of common stock outstanding ("Weighted Shares") for the period presented.

Diluted net income per share is computed using net income divided by Weighted Shares, and the treasury stock method effect of common equivalent shares ("CESs") outstanding for each period presented. The following is a reconciliation of the shares used in the computation of net income per share for the years ended December 31, 1999, 2000 and 2001:

	1999		2000		2001	
	BASIC	DILUTED	BASIC	DILUTED	BASIC	DILUTED
Weighted shares......	24,083,571	24,083,571	25,174,102	25,174,102	27,077,137	27,077,137
Effect of CESs.......	--	2,469,008	--	5,279,342	--	3,664,894

24,083,571	26,552,579	25,174,102	30,453,444	27,077,137	30,742,031

Stock-Based Compensation Plan

The Company accounts for its stock-based compensation plan for stock issued to employees under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, records deferred compensation for options granted at an exercise price below the fair value of the underlying stock. The deferred compensation is presented as a component of equity in the accompanying consolidated balance sheets and is amortized over the periods to be benefited, generally the vesting period of the options. Effective in fiscal year 1996, the Company adopted the pro forma disclosure option for stock-based compensation issued to employees of SFAS No. 123, "Accounting for Stock-Based Compensation."

Comprehensive Income

In fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." This statement establishes the rules for the reporting of comprehensive income and its components. The Company's comprehensive income includes net income, foreign currency translation adjustments and unrealized gains and losses on short-term investments.

Reclassifications

Certain reclassifications were made to the prior years' financial statements to conform to the 2001 presentation.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted the new statement on January 1, 2001. The adoption of this Statement did not have a significant impact on the Company's financial statements.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125." This Statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral. This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of this Statement did not have a significant impact on the Company's financial statements.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." This Statement requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The adoption of this Statement did not have a significant impact on the Company's financial statements.

Also in July 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." This Statement requires that goodwill and certain intangible assets, including those recorded in past business combinations, no longer be amortized to earnings, but instead be tested for impairment at least annually. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002 and as a result, we will cease to amortize approximately $21.3 million of goodwill during 2002. We had recorded approximately $3.0 million of amortization on these amounts during 2001 and would have recorded approximately $3.0 million of amortization during 2002. In lieu of amortization, we are required to perform an initial impairment review of our goodwill in 2002 and an impairment review at least annually thereafter.

In November 2001, the FASB issued a Staff Announcement Topic D-103 (Topic D-103), "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Topic D-103 establishes that reimbursements received for out-of-pocket expenses should be reported as revenue in the statement of operations. During 2001, we classified reimbursed out-of-pocket expenses as a reduction of operating expenses. We adopted this guidance effective January 1, 2002. Our adoption of Topic D-103 will result in increased services revenue and increased costs of services revenue. Our results of operations for prior periods will be reclassified to conform to the new presentation. The total amount of expense reimbursement recorded to expense was $4.0 million, $5.5 million and $5.1 million for 1999, 2000 and 2001, respectively. Our adoption of Topic D-103 will not affect our net income or loss in any past or future periods.

2. INCOME TAXES

The Company is subject to future federal and state income taxes and has recorded net deferred tax assets. Deferred tax assets and liabilities are determined based on the difference between the financial accounting and the tax bases of assets and liabilities. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2000 and 2001 are as follows:

	DECEMBER 31,	
	2000	2001
Deferred tax assets:		
Accounts receivable	$1,581,000	$1,421,000
Accrued liabilities	911,000	506,000
Stock compensation expense	271,000	57,000
Intangible assets	1,179,000	1,938,000
Depreciation	--	534,000
Research and development credits	779,000	779,000
Other	39,000	--
	4,760,000	5,235,000
Deferred tax liabilities:		
Depreciation	27,000	--
Other	--	43,000
Net deferred tax assets	$4,733,000	$5,192,000

The components of the historical income tax provision for the years ended December 31, 1999, 2000 and 2001 are as follows:

1999	2000	2001

Current:			
Federal	$ 2,264,000	$ 8,936,000	$7,546,000
State	401,000	1,698,000	1,432,000
Foreign	--	450,000	929,000
	2,665,000	11,084,000	9,907,000
Deferred:			
Federal	(1,777,000)	(1,132,000)	(324,000)
State	(334,000)	(212,000)	(61,000)
	(2,111,000)	(1,344,000)	(385,000)
Total	$ 554,000	$ 9,740,000	$9,522,000

The income tax benefits related to the exercise of stock options were allocated to additional paid-in capital. Such amounts were approximately $730,000, $13,522,000 and $9,049,000 for 1999, 2000 and 2001, respectively. As a result of these income tax benefits, the Company has refundable income taxes of $1,624,000 at December 31, 2001. The refundable income taxes represent refunds to be received for taxes paid in 1998 and 1999.

As a result of the tax benefit related to the exercise of stock options, the Company has federal net operating loss carry-forwards ("NOLs") of approximately $23,504,000 available to offset future income in those respective taxing jurisdictions. The federal NOLs expire in 2021. The NOLs may be subject to certain limitations in the event of a change in ownership. In addition, the Company has $1,396,000 of research and development tax credit carryforwards that expire in 2018 to 2021.

The following is a summary of the items that resulted in recorded income taxes to differ from taxes computed using the statutory federal income tax rate for the years ended December 31, 1999, 2000 and 2001:

	1999	2000	2001
Statutory federal income tax rate	34.0%	35.0%	35.0%
Effect of:			
State income tax, net of federal benefit	4.0	4.0	3.5
Research and development credits	(16.6)	(1.0)	(0.8)
Foreign operations	(0.7)	(0.7)	(0.6)
Tax exempt income	(5.2)	(0.3)	(0.3)
Meals and entertainment	6.0	0.4	0.6
Intangibles	12.0	0.2	0.1
Other	--	(0.1)	(0.5)
Income taxes	33.5%	37.5%	37.0%

3. STOCK OPTION PLANS

The Manhattan Associates LLC Option Plan (the "LLC Option Plan") became effective on January 1, 1997. The LLC Option Plan is administered by a committee appointed by the Board of Directors. The aggregate number of shares reserved for issuance under the LLC Option Plan was 5,000,000 shares. The options are granted at terms determined by the committee; however, the options cannot have a term exceeding ten years. Options granted under the LLC Option Plan have vesting periods ranging from immediately to six years. Subsequent to February 28, 1998, no additional options could be granted pursuant to the LLC Option Plan.

Prior to the establishment of the LLC Option Plan, the Company issued options to purchase 661,784 shares of common stock to certain employees. These grants contain provisions similar to options issued under the LLC Option Plan.

The Company's 1998 Stock Incentive Plan (the "Stock Incentive Plan") was adopted by the Board of Directors and approved by the shareholders in February 1998. The Stock Incentive Plan provides for the grant of incentive stock options. Optionees have the right to purchase a specified number of shares of common stock at a specified option price and subject to such terms and conditions as are specified in connection with the option grant. The Stock Incentive Plan is administered by the Compensation Committee of the Board of Directors. The committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the Stock Incentive Plan generally and to interpret the provisions thereof. Options granted under the Stock Incentive Plan cannot have a term exceeding ten years and typically vest over a period of three to six years.

As of December 31, 2001, the Stock Incentive Plan provides for issuance of up to 10,659,453 shares of common stock (subject to adjustment in the event of stock splits and other similar events), less the number of shares issued under the LLC Option Plan, in the form of stock options and other stock incentives. The number of shares available for issuance under the Plan is automatically adjusted, without shareholder approval, on the first day of each fiscal year, beginning with the 2000 fiscal year, by a number of shares such that the total number of shares reserved for issuance under the Plan equals the sum of (i) the aggregate number of shares previously issued under the Plan and the Manhattan Associates, LLC Option Plan; (ii) the aggregate number of shares subject to then outstanding stock incentives granted under the Plan and the Manhattan Associates, LLC Option Plan; and (iii) 5% of the number of shares of common stock outstanding on the last day of the preceding fiscal year. However, no more than 1,000,000 of the shares available for grant each year shall be available for issuance pursuant to incentive stock options, and no more than 10,000,000 shares resulting from such automatic adjustments may ever be issued during the term of the Plan.

A summary of changes in outstanding options is as follows:

	OPTIONS	PRICE	WEIGHTED AVERAGE EXERCISE PRICE
December 31, 1998	5,968,970	$ 0.24 - 23.50	$ 7.71
Granted	4,661,114	3.53 - 17.50	7.07
Canceled	(2,756,221)	2.50 - 23.50	10.60
Exercised	(198,713)	2.50 - 10.00	3.70
December 31, 1999	7,675,150	$ 0.24 - 23.50	$ 6.38
Granted	1,460,275	7.38 - 68.38	37.90
Canceled	(563,001)	2.50 - 61.25	9.61
Exercised	(2,048,509)	0.24 - 23.50	5.52
December 31, 2000	6,523,915	$ 0.24 - 68.38	$13.24
Granted	1,658,700	12.90 - 42.63	26.23
Canceled	(372,148)	2.50 - 66.13	31.78
Exercised	(1,277,700)	0.24 - 29.88	5.26
December 31, 2001	6,532,767	$ 0.24 - 68.38	$17.04

Details of options outstanding at December 31, 2001 are as follows:

OUTSTANDING				EXERCISABLE	
EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICES	OPTIONS EXERCISABLE	AVERAGE EXERCISE PRICE
$ 0.24 - 3.50	829,551	3.8	$ 1.65	829,551	$ 1.65
3.51 - 7.50	1,288,765	7.3	4.86	557,857	5.51
7.51 - 15.00	1,606,961	7.2	9.31	903,937	8.95
15.01 - 25.00	584,715	7.9	18.57	162,969	17.96
25.01 - 40.00	1,802,175	9.5	30.40	129,372	37.64
40.01 - 68.38	420,600	8.8	54.95	144,362	50.71
	6,532,767	7.6	$17.04	2,728,048	$10.14

At December 31, 2001, 1,032,348 shares are available for future grant.

The Company recorded deferred compensation of $580,000 on options granted during 1998, as the exercise price was less than the deemed fair value of the underlying common stock. The Company amortizes deferred compensation over a period not to exceed six years. The Company recognized compensation expense of $148,000, $85,000 and $82,000 for the year ended December 31, 1999, 2000 and 2001, respectively, and had deferred compensation expense of $193,000 and $105,000 at December 31, 2000 and 2001, respectively.

Pro forma information regarding net income and net income per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for its employee stock option grants under the fair value method required by SFAS No. 123. The fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1999	2000	2001
Dividend yield	--	--	--
Expected volatility	119%	131%	122%
Risk-free interest rate at the date of grant	5.0%	5.0%	5.0%
Expected life	5 years	5 years	5 years

Using these assumptions, the fair values of the stock options granted during the years ended December 31, 1999, 2000 and 2001 are $24,410,000, $37,221,000 and $30,421,000, respectively, which would be amortized over the vesting period of the options.

The weighted average fair market values of options at the date of grant for the years ended December 31, 1999, 2000 and 2001 was $5.90, $33.07 and $22.37, respectively.

The following pro forma information adjusts the net income and net income per share of common stock for the impact of SFAS No. 123:

	1999	2000	2001
Net income:			
As reported	$ 1,101	$16,268	$16,187
Pro forma in accordance with SFAS No. 123	$(11,481)	$(2,911)	(10,341)
Basic net income or pro forma net income per share:			
As reported	$ 0.05	$ 0.65	$ 0.60
Pro forma in accordance with SFAS No. 123	$ (0.48)	$ (0.12)	$ (0.38)
Diluted net income or pro forma net income per share:			
As reported	$ 0.04	$ 0.53	$ 0.53
Pro forma in accordance with SFAS No. 123	$ (0.48)	$ (0.12)	$ (0.34)

The following table summarizes the range of exercise price and the weighted average exercise price for the options granted during the three years ending December 31, 2001:

YEAR OF GRANT	NUMBER OF SHARES	RANGE OF EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
1999			
Options granted at fair market value	4,661,114	3.531-17.50	7.069
Options granted at less than fair market value	--	--	--
2000			
Options granted at fair market value	1,460,275	7.38-68.38	37.90
Options granted at less than fair market value	--	--	--
2001			
Options granted at fair market value	1,658,700	12.90-42.63	26.23
Options granted at less than fair market value	--	--	--

4. SHAREHOLDERS' EQUITY

ISSUANCE OF STOCK

During 1999, the Company issued 85,000 shares of common stock to one of the Company's executives as part of his employment agreement. Compensation expense of approximately $300,000 was recorded in connection with the issuance.

During 2000, the Company issued 173,900 shares of the Company's common stock in connection with the acquisition of Intrepa, L.L.C. The number of shares issued by the Company was subject to adjustment on January 1, 2001 and April 1, 2001 based on the average closing price of the Company's common stock for the 20 days prior to January 1, 2001 and April 1, 2001. In January and April 2001, the Company issued 1,238 and 61,819 additional shares, respectively, in connection with the acquisition.

PURCHASE OF STOCK

During 2001, the Company purchased 65,000 shares of the Company's common stock for approximately $885,000 through open market transactions as part of a publicly-announced buy-back program.

5. COMMITMENTS AND CONTINGENCIES

LEASES

Rents charged to expense were approximately $2,878,000, $2,423,000 and $3,269,000 for the years ended December 31, 1999, 2000 and 2001, respectively. The principal leases expire on March 31, 2008. Aggregate future minimum lease payments under the capital lease and noncancellable operating leases as of December 31, 2001 are as follows (in thousands):

YEAR ENDED DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
2002	$249	$ 4,308
2003	237	2,918
2004	118	2,768
2005	108	2,457
2006 and thereafter	--	5,020
Total	712	$17,471
Less amount representing interest	(117)	
Net present value of future minimum lease payments	595	
Less current portion of capital lease obligation	(163)	
Long-term portion of capital lease obligation	$432	

EMPLOYMENT AGREEMENTS

The Company has entered into employment contracts with certain executives and other key employees. The agreements provide for total severance payments of up to approximately $1.9 million for termination of employment for any reason other than cause. Payment terms vary from a lump sum payment to equal monthly installments over a period of not more than 12 months.

LEGAL MATTERS

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

6. LONG-TERM DEBT

A portion of the purchase price of the Intrepa acquisition has been funded with the issuance of a promissory note (the "Note"). Unless prepaid at the option of the Company, the Note is payable in four equal installments of $1,750,000, to be paid every six months beginning on October 1, 2001 and concluding on April 1, 2003. The Note is subject to interest at a rate of 8% per year, which is due on the last day of each

fiscal quarter of the Company for so long as principal remains outstanding under the Note. Long-term debt consists of the following (in thousands):

	DECEMBER 31, 2000	DECEMBER 31, 2001
Promissory note outstanding bearing interest at 8% per year, repayable every six months through April 1, 2003	$ 7,000	$ 5,250
Less current portion	(1,750)	(3,500)
Long-term portion	$ 5,250	$ 1,750

Future principal payments under the note as of December 31, 2001 are as follows (in thousands):

YEAR ENDED DECEMBER 31,	
2002	3,500
2003	1,750
Total	5,250

7. ACQUISITION

Fiscal 2000 Acquisition

On October 24, 2000, the Company acquired substantially all of the assets of Intrepa, L.L.C. ("Intrepa") for a purchase price of approximately $31.0 million. The purchase price consists of a cash payment of $13.0 million, the issuance of approximately $10.0 million of the Company's $.01 par value per share common stock (totaling 236,957 shares), and the issuance by the Company of a promissory note for $7.0 million. The Company also incurred approximately $0.9 million of transaction costs related to the acquisition. The purchase price includes the assumption of substantially all of the liabilities of Intrepa, including immediate payment by the Company of the remaining $2.0 million of principal and up to $15,000 interest on a promissory note previously issued by Intrepa. The acquisition has been accounted for under the purchase method of accounting. Based on an independent appraisal, the purchase price has been allocated to net liabilities assumed of $2.6 million, acquired in-process research and development of $2.4 million (see Note 8), acquired developed technology of $7.5 million, and other intangible assets of $23.3 million. Acquired developed technology is being amortized over an estimated five-year useful life and other intangible assets are being amortized over a seven-year useful life.

Unaudited pro forma operating results for the year ended December 31, 2000, assuming that the acquisition had occurred at the beginning of 2000 is as follows (in thousands):

	2000
Revenues	$140,728
Pro forma net income	11,528
Pro forma diluted net income per share	$ 0.38

8. IN-PROCESS RESEARCH AND DEVELOPMENT AND ACQUISITION-RELATED RESTRUCTURING CHARGES

In-process research and development represents the value assigned in a purchase business combination to research and development projects of the acquired business that had commenced but had not reached technological feasibility and has no alternative future use. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as clarified by FASB Interpretation No. 4, amounts assigned to in-process research and development meeting the above stated criteria must be charged to expense as part of the allocation of the purchase price of the business combination. Accordingly, a charge totaling $2,425,000 was recorded during 2000 as part of the allocations of the purchase price related to the acquisition of Intrepa.

In 2000, the Company recorded a restructuring charge as a result of the acquisition of Intrepa. The charge consists entirely of severance related costs. These costs were utilized in the fourth quarter of 2000 and the first quarter of 2001. The following is a summary of the amounts incurred:

	2000 CHARGE	UTILIZED 2000	UTILIZED 2001
Employee severance..............................	$576,000	$121,000	$455,000

9. FOREIGN OPERATIONS

Total international revenue was approximately $5.5 million, $14.9 million and $26.1 million for the years ended December 31, 1999, 2000 and 2001, respectively, which represents approximately 7%, 11% and 17% of our total revenue for the years ended December 31, 1999, 2000 and 2001, respectively. International revenue includes all revenue associated with sales of software, services and hardware outside the United States.

During 1998, the Company commenced operations in Europe. Total revenue for Europe was approximately $3.8 million, $10.3 million and $22.1 million for the years ended December 31, 1999, 2000 and 2001, respectively. Total net income for Europe was approximately $28,000, $1.2 million and $2.2 million for the years ended December 31, 1999, 2000 and 2001, respectively. Total assets for Europe were approximately $2.3 million, $4.6 million and $7.7 million as of December 31, 1999, 2000 and 2001, respectively.

10. EMPLOYEE BENEFIT PLAN

The Company sponsors the Manhattan Associates 401(k) Plan and Trust (the "401(k) Plan"), a qualified profit sharing plan with a 401(k) feature covering substantially all employees of the Company. Under the 401(k) Plan's deferred compensation arrangement, eligible employees who elect to participate in the 401(k) Plan may contribute up to 18% up to $10,500 of eligible compensation, as defined, to the 401(k) Plan. The Company provides for a 50% matching contribution up to 6% of eligible compensation being contributed after the participant's first year of employment. During the years ended December 31, 1999, 2000 and 2001, the Company made matching contributions to the 401(k) Plan of $413,000, $706,000 and $1,059,000, respectively.

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations of the Company for the years ended December 31, 2000 and 2001. The unaudited quarterly results have been prepared on substantially the same basis as the audited Financial Statements.

	QUARTER ENDED							
	MAR. 31, 2000	JUNE 30, 2000	SEPT. 30, 2000	DEC. 31, 2000	MAR. 31, 2001	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA:								
Revenue:								
Software fees	$ 5,036	$ 5,686	$ 6,529	$ 8,939	$ 7,841	$ 9,362	$ 9,206	$ 9,027
Services	17,544	19,228	21,207	23,106	23,497	23,890	24,694	25,429
Hardware	5,763	9,714	5,968	4,376	4,737	2,872	4,521	10,521
Allowance for bankrupt customer	--	--	--	--	--	--	--	(4,328)
Total revenue	28,343	34,628	33,704	36,421	36,075	36,124	38,421	40,649
Costs and expenses:								
Cost of software fees	277	539	192	231	485	385	401	184
Cost of services	8,162	8,029	8,753	9,355	9,898	10,041	10,994	11,439
Cost of hardware	4,701	7,988	4,759	3,374	3,608	2,363	3,729	8,283
Research and development	3,046	3,042	4,213	5,805	5,038	4,706	4,739	4,930
Sales and marketing	3,977	4,631	4,298	5,145	5,313	5,513	5,779	5,729
General and administrative	3,773	3,589	3,743	4,018	4,192	4,657	4,824	5,149
In-process research and development and acquisition-related charges	--	--	--	3,001	--	--	--	--
Amortization of acquisition-related intangibles	94	94	93	884	1,310	1,310	1,310	1,310
Total costs and expenses	24,030	27,912	26,051	31,813	29,844	28,975	31,776	37,024
Income from operations	4,313	6,716	7,653	4,608	6,231	7,149	6,645	3,625
Other income, net	403	587	851	877	550	478	649	382
Income before income taxes	4,716	7,303	8,504	5,485	6,781	7,627	7,294	4,007
Income taxes	1,792	2,775	3,231	1,942	2,509	2,833	2,698	1,482
Net income	$ 2,924	$ 4,528	$ 5,273	$ 3,543	$ 4,272	$ 4,794	$ 4,596	$ 2,525
Diluted net income per share	$ 0.10	$ 0.15	$ 0.17	$ 0.11	$ 0.14	$ 0.16	$ 0.15	$ 0.08
Shares used in diluted net income per share	28,946	29,832	30,900	31,189	30,674	30,748	30,605	30,908

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2002 under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance." Certain information regarding executive officers of the Company is included in Part I of this report on Form 10-K under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2002 under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2002 under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference from the information contained in the Company's Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the Commission on or prior to April 30, 2002 under the caption "Certain Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The response to this item is submitted as a separate section of this Form 10-K. See Item 8.

2. Financial Statement Schedule

The following financial statement schedule is filed as a part of this report:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To Manhattan Associates, Inc.

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Manhattan Associates, Inc. and subsidiaries included in this Form 10-K and have issued our report thereon dated January 31, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The forgoing schedule is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 31, 2002

SCHEDULE II

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

CLASSIFICATION:	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO OPERATIONS	DEDUCTIONS	BALANCE AT END OF PERIOD

Allowance for doubtful accounts for the year ended:				
December 31, 1999	$1,600,000	$9,015,000	$5,142,000	$5,473,000
December 31, 2000	5,473,000	3,510,000	4,185,000	4,798,000
December 31, 2001	4,798,000	6,977,000	3,242,000	8,533,000

All other schedules are omitted because they are not required or the required information is shown in the consolidated financial statements or notes thereto.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended December 31, 2001.

(c) Exhibits. The following exhibits are filed as part of, or are incorporated by reference into, this report on Form 10-K:

EXHIBIT NUMBER		DESCRIPTION
3.1	--	Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
3.2	--	Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.1	--	Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of the holders of common stock of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
4.2	--	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.1	--	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Registrant dated September 24, 1997 (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.2	--	First Amendment to Lease between Wildwood Associates, a Georgia general partnership, and the Registrant dated October 31, 1997 (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.3	--	Second Amendment to Lease Agreement between Wildwood Associates, a Georgia general partnership, and the Registrant, dated February 27, 1998 (Incorporated by reference to Exhibit 10.8 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.4	--	Third Amendment to Lease Agreement between Wildwood Associates and the Registrant, dated October 24, 2000 (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2000, filed on April 2, 2001).
10.5	--	Lease Agreement by and between Wildwood Associates, a Georgia general partnership, and the Company dated June 25,

2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended June 30, 2001, filed August 14, 2001).

10.6 -- Lease Agreement by and between Tektronix UK Limited, Manhattan Associates Limited and Manhattan Associates, Inc., dated October 21, 1999 (Incorporated by reference to Exhibit 10.27 to the Company's Annual Report for the period ended December 31, 1999, filed on March 30, 2000).

10.7 -- Sub-Sublease Agreement between Scientific Research Corporation, a Georgia corporation, and the Registrant, dated July 2, 1998 (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report for the period ended December 31,1998, filed on March 31, 1999).

10.8 -- Sub-Sublease Agreement between The Profit Recovery Group International 1, Inc., a Georgia corporation, and the Registrant, dated August 19, 1998 (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 1998, filed on March 31, 1999).

10.9 -- Standard Sublease Agreement between Life Office Management Association, Inc. and the Registrant, dated October 20, 2000 (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2000, filed on April 2, 2001).

10.10 -- Standard Sublease Agreement between Chevron USA Inc. and the Registrant, dated November 20, 2000 (Incorporated by reference to Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2000, filed on April 2, 2001).

EXHIBIT NUMBER		DESCRIPTION
10.11	--	Form of Indemnification Agreement with certain directors and officers of the Registrant (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.12	--	Form of Tax Indemnification Agreement for direct and indirect shareholders of Manhattan Associates Software, LLC (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.13	--	Contribution Agreement between the Registrant and Daniel Basmajian, Sr. (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.14	--	Share Purchase Agreement between Deepak Raghavan and the Registrant effective as of February 16, 1998 (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.15	--	Summary Plan Description of the Registrant's Money Purchase Plan & Trust, effective January 1, 1997 (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.16	--	Summary Plan Description of the Registrant's 401(k) Plan and Trust, effective January 1, 1995 (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).

10.17	--	Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.18	--	First Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 1998, filed on March 31, 1999).
10.19	--	Second Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report for the period ended December 31, 1998, filed on March 31, 1999).
10.20	--	Third Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report for the period ended December 31, 1998, filed on March 31, 1999).
10.21	--	Fourth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report for the period ended December 31, 1999, filed on March 30, 2000).
10.22	--	Fifth Amendment to the Manhattan Associates, Inc. 1998 Stock Incentive Plan (Incorporated by reference to Exhibit 4.8 to the Company's Form S-8, filed on September 5, 2001).
10.23	--	Manhattan Associates, LLC Option Plan (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
10.24	--	Executive Employment Agreement executed by Neil Thall (Incorporated by reference to Exhibit 10.14 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.25	--	Executive Employment Agreement executed by Richard M. Haddrill, dated October 11, 1999 (Incorporated by reference to Exhibit 10.26 to the Company's Annual Report for the period ended December 31, 1999, filed on March 30, 2000).
10.26	--	Executive Employment Agreement Modification by and among the Company and Richard M. Haddrill, effective July 19, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2001, filed on November 14, 2001).

EXHIBIT NUMBER		DESCRIPTION
10.27	--	Form of License Agreement, Software Maintenance Agreement and Consulting Agreement (Incorporated by reference to Exhibit 10.18 to the Company's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-1 (File No. 333-47095) filed on April 2, 1998).
10.28	--	Form of Software License, Services and Maintenance Agreement (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 1998, filed on March 31, 1999).
21.1	--	List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 (File No. 333-47095) filed on February 27, 1998).
23.1	--	Consent of Arthur Andersen LLP.
99.1	--	Safe Harbor Compliance Statement for Forward-Looking Statements.
99.2	--	Letter to SEC re: Arthur Andersen.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANHATTAN ASSOCIATES, INC.

By: /s/ RICHARD M. HADDRILL

Richard M. Haddrill
Chief Executive Officer, President and Director

Date: April 1, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ ALAN J. DABBIERE Alan J. Dabbiere	Chairman of the Board	April 1, 2002
/s/ RICHARD M. HADDRILL Richard M. Haddrill	Chief Executive Officer, President and Director (Principal Executive Officer)	April 1, 2002
/s/ THOMAS W. WILLIAMS, JR. Thomas W. Williams, Jr.	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 1, 2002
/s/ DEEPAK RAGHAVAN Deepak Raghavan	Director	April 1, 2002
/s/ BRIAN J. CASSIDY Brian J. Cassidy	Director	April 1, 2002
/s/ JOHN R. HARDESTY John R. Hardesty	Director	April 1, 2002
/s/ JOHN J. HUNTZ, JR. John J. Huntz, Jr.	Director	April 1, 2002
/s/ THOMAS E. NOONAN Thomas E. Noonan	Director	April 1, 2002

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Manhattan Associates, Inc.'s previously filed Registration Statement File Nos. 333-60635, 333-68968, 333-68972, 333-45802 and 333-53388.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 27, 2002

EXHIBIT 99.1

SAFE HARBOR COMPLIANCE STATEMENT FOR FORWARD-LOOKING STATEMENTS

You should consider the following factors in evaluating us and our business. If any of the following or other risks actually occurs, our business, financial condition and results of operations could be 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;
- 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;
- 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 five years, we do not believe that our prior growth rates are sustainable or a good indicator of future operating results. You should not rely on our historical quarterly revenue and operating results to predict our future performance.

OUR OPERATING RESULTS ARE SUBSTANTIALLY DEPENDENT ON ONE LINE OF BUSINESS.

We currently derive a substantial portion of our revenues from sales of our software and related services and hardware. Any factor adversely affecting the markets for distribution management center solutions could have an adverse effect on the 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 future customers, including new and enhanced releases that are subsequently introduced. 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 INFOLINK PRODUCTS MAY NOT BE ACCEPTED BY THE MARKET.

We continue to develop our Internet-based, collaboration application, infolink, and commercially introduced to the market the first version of this product, infolink - Order, in September 2000. The second version, infolink - Source, was commercially introduced in September 2001. Our future success will in part depend upon the adoption of our infolink product. Since we believe we are the first company to offer a product such as infolink, we will need to undertake substantial marketing efforts to make prospective customers aware of infolink and to persuade them to accept, and ultimately buy, our product. The market for collaboration applications is relatively immature, and is projected to be intensely competitive. We expect to face competition in the future with respect to this product offering. In light of these factors, the market for infolink may fail to develop or develop more slowly than we expect. Fast, unexpected or competitive changes to the market for collaboration applications could adversely affect our business plans and projections for infolink. Either outcome would limit the growth of our total revenues and make it more difficult for us to maintain profitability.

OUR IMPLEMENTATIONS OF OUR PRODUCTS COULD ADVERSELY IMPACT US.

Due to the size and complexity 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.

OUR ABILITY TO SUCCESSFULLY COMPETE WITH OTHER COMPANIES MAY FAIL.

We compete in markets that are intensely competitive and are expected to become more competitive as current competitors expand their product offerings and new competitors enter the market. 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:

- supply chain execution vendors, including Catalyst International, Inc., EXE Technologies, Inc., HighJump Software, Logistics & Internet Systems Limited, McHugh Software International, Inc., Optum, Inc. and Provia Software Inc. among others;

- ERP or Supply Chain Management ("SCM") application vendors with products or modules of their product suite offering varying degrees of x-SCE functionality, such as Retek, Inc., J.D. Edwards & Company or SAP AG;

- the corporate information technology departments of current or potential customers capable of internally developing solutions; and

- smaller independent companies that have developed or are attempting to develop distribution center management software that competes with our extended supply chain execution, or "x-SCE", solutions.

We may face 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 acquiring or partnering with independent developers of supply chain execution software. 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. Both Oracle and SAP have announced plans to enter the market for SCM applications. We believe that the domain expertise required to compete 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 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 give assurance that in the future we will be able to successfully compete against current and future competitors.

OUR FAILURE TO MANAGE GROWTH OF 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
- train and motivate our employees.

OUR INABILITY TO ATTRACT AND RETAIN MANAGEMENT AND OTHER PERSONNEL MAY ADVERSELY AFFECT US.

Our success greatly depends on the continued service of our executives, several of whom joined the Company since October 1999, as well as our other key senior management, technical and sales personnel. The loss of any of our senior management or other key professional services, research and development, sales and marketing personnel, particularly if 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. 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 x-SCE 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.

OUR HARDWARE SALES FLUCTUATE AND 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 its x-SCE solution. We plan on continuing to offer this option to our customers. Hardware sales are difficult to forecast and fluctuate from quarter to quarter, leading to unusual comparisons of total revenue and fluctuations in profits. Revenue from hardware sales as a percentage of total revenue decreased in 2000 and 2001, and may continue to decrease in the future. If we are not able to increase our revenue from software licenses and services or maintain our hardware revenue, our ability to maintain profitability may be adversely affected.

OUR EMPLOYEE RETENTION AND HIRING MAY BE HINDERED BY IMMIGRATION RESTRICTIONS.

A number of our employees are Indian nationals employed pursuant to non-immigrant work-permitted visas issued by the United States Immigration and Naturalization Service, or INS. We are anticipating many changes within the INS as a result of the events of September 11, 2001. We do not know how such changes may affect us. There is a limit on the number of new visas issued by the INS each year. In years in which this limit is reached, we may be unable to retain or hire additional foreign employees. The

federal government may in the future further restrict the issuance of new visas. If we are unable to retain or hire additional foreign employees, we may incur additional labor costs and expenses or not have sufficient qualified personnel to carry on our business, which could harm our ability to successfully continue and grow our business.

OUR BUSINESS AND OUR PROFITABILITY MAY BE ADVERSELY AFFECTED IF WE CANNOT INTEGRATE ACQUIRED COMPANIES.

We acquired Performance Analysis Corporation, or PAC, in February 1998, the Distribution Center Management Systems software product and related assets of Kurt Salmon Associates in October 1998, and Intrepa, L.L.C. in October 2000. We may from time to time acquire companies with complementary products and services. These acquisitions will continue to 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 business acquisitions must be accounted for using the purchase method of accounting. 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. Under new accounting rules, goodwill and certain other intangible assets will no longer be amortized to income, but will be 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. The acquisitions of PAC and Intrepa resulted in non-recurring, one-time charges of $1.6 million and $3.0 million, respectively, in 1998 and 2000, respectively.

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 hurt our ability to attract new systems integrators.

OUR PERFORMANCE MAY BE NEGATIVELY IMPACTED BY MACRO-ECONOMIC OR OTHER EXTERNAL INFLUENCES.

Over 80% of the Company's revenues and the vast majority of its profits and cash flows are derived within the United States. Beginning in the fourth quarter of 2000 and progressing into 2001, a declining United States economy began to adversely impact the performances of many businesses particularly within the technology sector. 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. A prolonged recession of the U.S. economy will likely result in less capital expenditures, which may adversely impact our business and/or our ability to compete. It is likely to further intensify our intensely competitive markets. Competitors with greater capital resources and operational efficiencies than us are likely better positioned to prevail in a prolonged recession.

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.

We have committed resources to the opening and integration of additional 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:

- 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.

Our principal international presence is in the United Kingdom and the Netherlands. We have announced plans to further expand our direct operations into continental Europe, Japan and Australia. Seasonal fluctuations may arise from the lower sales that typically occur during the summer months in Europe and other parts of the world. Additionally, our moves into other geographical markets may give rise to greater foreign currency exchange risk, in addition to further concentration of risk in Europe.

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 may cause substantial harm to our reputation and, result in additional unplanned expenses to remedy any defects as well as a loss in revenue.

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 and licensing arrangements, 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 x-SCE 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 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 were 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.

OUR BUSINESS AFFAIRS AND OUR COMPANY MAY BE INFLUENCED BY A FEW EXISTING SHAREHOLDERS.

Our directors, executive officers and key employees together control approximately 44.3% of our outstanding common stock. In particular, Alan J. Dabbiere, the Chairman of the Board, controls approximately 24.9% of our common stock. As a result, these shareholders, if they act together, are able to influence the management and affairs of our company and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of

ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of the common stock.

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 will depend on many factors, including:

- demand for our products;
- the timing of and extent to which we invest in new technology;
- 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 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 Manhattan by our 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 limit the price that investors might be willing to pay in the future for shares of the common stock.

EXHIBIT 99.2

March 27, 2002

Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Arthur Andersen LLP (AA)

The purpose of this letter is to address the requirements of the Securities and Exchange Commission (SEC) with respect to issuers that include accountants' reports from AA issued after March 14, 2002 in filings with the SEC.

In connection with the audit of the consolidated financial statements of Manhattan Associates, Inc. and subsidiaries (the Company) as of December 31, 2001 and for the year then ended, AA has issued a report to the shareholders and directors of the Company dated January 31, 2002. The Report is included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

AA has represented to Manhattan Associates, Inc. that its audit was subject to AA's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of AA personnel working on the audit, availability of national office consultation and availability of personnel at foreign affiliates of AA to conduct the relevant portions of the audit.

MANHATTAN ASSOCIATES, INC.

By: /s/ Thomas W. Williams, Jr.
Thomas W. Williams, Jr.
Senior Vice President, Chief
Financial Officer & Treasurer