2006 ANNUAL REPORT

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Manhattan Associates®

"The scalability of the solutions and their ability to keep pace with our evolving business model **make Manhattan Associates' technology a vital and integral part of** the Tesco Direct supply chain strategy. The solutions play a critical role in managing the fulfilment process and optimising supply chain performance, allowing us to deliver the best possible service to our customers. Integrated with our existing enterprise systems and easy to use, they have quickly helped provide us with the total visibility and control we needed throughout our supply chain, **ensuring a consistently high level of service** across all product categories."

Jon Higgins
IT Director
Tesco.com

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"We have a unique business model, diverse selling channels and a broad merchandise mix requiring high levels of accuracy in forecasting and inventory placement. **The breadth and depth of Manhattan Associates'** integrated Advanced Replenishment and Warehouse Management **solutions have been critical to transforming our business** to a multi-channel retail company.

Second quarter 2006 inventory at our comparable stores declined 11.3% compared to the end of our second quarter 2005."

Larry Popps
Director of Management Information Systems
Cabela's

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"Manhattan Associates and its employees have been wonderful partners. They are dedicated to positioning their customers as leaders in their industries and to strengthening competitive advantage. Their expertise and confidence allow Manhattan Associates to be fearless when helping clients solve their problems. They are not afraid to look at things from a new perspective or undertake challenges most competitors won't. Our vendor lead time continues to shrink – we have some with as short as 13 hours lead time. Manhattan Associates' solutions are key elements to our ability to produce optimal flow-through."

Larry Baldauf
Senior Vice President
Giant Eagle

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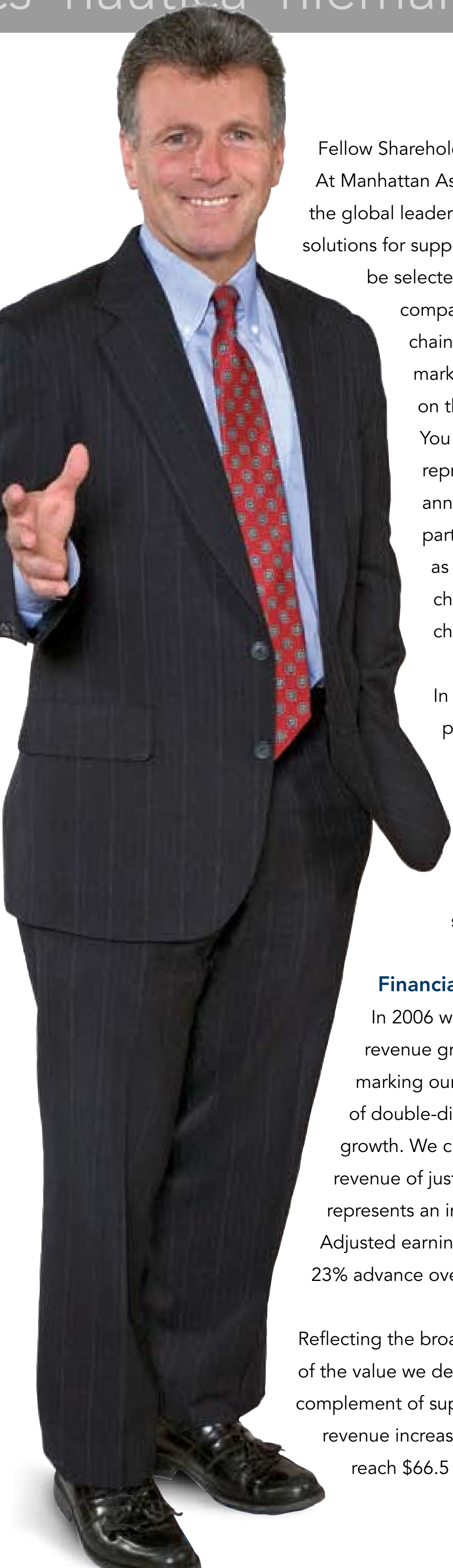

Fellow Shareholders:

At Manhattan Associates, our mission is to be the global leader of supply chain management solutions for supply chain leaders. We strive to be selected as the provider of choice by companies that want to use supply chain mastery to create sustainable market advantage and to deliver on the promise of their brands. You see some of those brands represented here in our 2006 annual report. We are proud to partner with these customers as they craft innovative supply chain strategies that are literally changing their industries.

In 2006 our financial performance and business accomplishments were in line with our mission as we improved our supply chain leadership stake across key dimensions. Here are some of the highlights:

Financial Leadership

In 2006 we continued to deliver strong revenue growth, with the fourth quarter marking our ninth consecutive quarter of double-digit year-over-year revenue growth. We closed the year with total revenue of just under $289 million, which represents an increase of 17% over 2005. Adjusted earnings per share were $1.08, a 23% advance over 2005.

Reflecting the broadening market validation of the value we deliver through our full complement of supply chain solutions, license revenue increased 16% over 2005 to reach $66.5 million. When this growth is considered in the context of the 5% growth in the overall market for supply chain software, it is clear that we continued to take share from competitors in 2006. Our services revenue grew 17% over 2005 to reach $194.5 million, marking continued strong demand for our supply chain expertise.

Market Leadership

In 2006 we continued to diversify our market impact, with about 45% of our product revenue being derived from supply chain solutions beyond our heritage of warehouse management. Our continued investment in our customers is being rewarded by their continued investment in us, with about 40% of license revenue coming from our existing customer base, with the remaining 60% from new customers. Important to our long-term strategy, our supply chain solutions were selected by a variety of marquis global brands planning to use them to create compelling and sustainable competitive advantage. And finally, our warehouse management solutions continued to set the gold standard in the industry, enjoying 20% growth in global license revenue over 2005 – about four times the growth rate of the market for warehouse management solutions.

Solutions Leadership

In December, we released the latest version of our supply chain management solutions across a footprint that includes Integrated Planning Solutions™ and Integrated Logistics Solutions™. These solutions are architected to interoperate with each other and with Enterprise Resource Planning (ERP) solutions to deliver unmatched functionality and value while minimizing total cost of ownership.

A company wanting to craft a supply chain strategy that creates competitive advantage is likely to have its final evaluation come down to two alternatives: ERP solutions and Manhattan Associates. While ERP solutions contain some supply chain functionality, they cannot deliver the supply chain depth and breadth required in many industries to create a truly differentiating strategy. Manhattan Associates' suite of solutions complements ERP solutions while also addressing the full lifecycle of supply chain opportunities, from demand through consumption. That is why many of our customers tell us that we "make ERP better." This is particularly true as companies increasingly grapple with creating adaptive supply chains that plan inventory and transportation levels holistically across the entire network; dynamically balance supply and demand across multiple channels; marry visibility with the ability to act immediately; leverage distribution centers as strategic assets central to meeting

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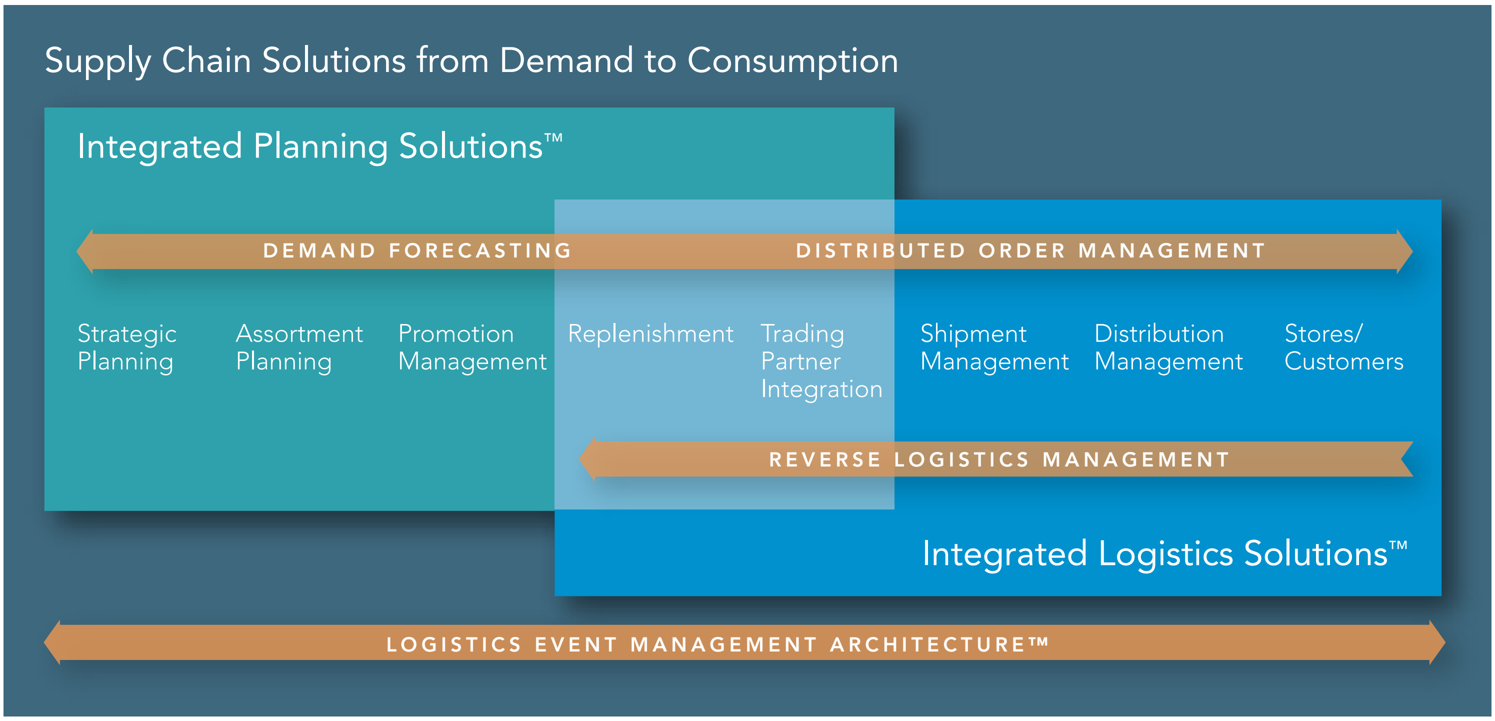

customer expectations; and ensure data integrity across all supply chain views.

Commitment Leadership

What continues to set us apart from competitors is our culture of commitment: We pledge to stand by our customers, our partners, and our associates every day, and we make this promise real through our actions. Of our 2,000 associates, 92% are focused on creating customer value, either through research and development, training, implementation or customer support. Our commitment to going beyond acting as a trusted advisor to truly being an *invested partner* in our customers' supply chain success is at the heart of our success.

2007 Leadership

In 2007, we will focus on fully leveraging the breadth and depth of our supply chain solutions to help companies solve complex supply chain challenges. By applying this expertise, we expect to continue to capture market share and grow revenue at a faster pace than our competitors will. Market analysts project that the supply chain management market growth rate will be around 5% in 2007. We expect to grow organically at double this rate as smaller competitors in the highly fragmented supply chain market struggle to meet expanding customer needs.

While we plan to deliver increased operating leverage in 2007, we also expect to continue to invest in areas strategic to our long-term position. Our research and development investment will continue at about 14% of revenue to further distance us from our competitors. We also will continue to invest in our sales and marketing teams to expand awareness, and in career development for our associates to enhance our reputation as the best place for supply chain experts to build careers. And perhaps most importantly, we will continue to invest in customer satisfaction by adding staff to both billable and non-billable positions in our services and support organizations.

I want to thank our customers for their trust, our business partners for helping to make our solutions even stronger, and our associates for their commitment to standing by our customers and each other. I look forward to sharing our continued success with them and with our shareholders.

Pete Sinisgalli
President and Chief Executive Officer

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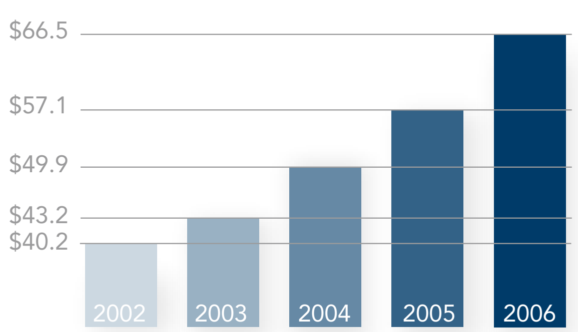
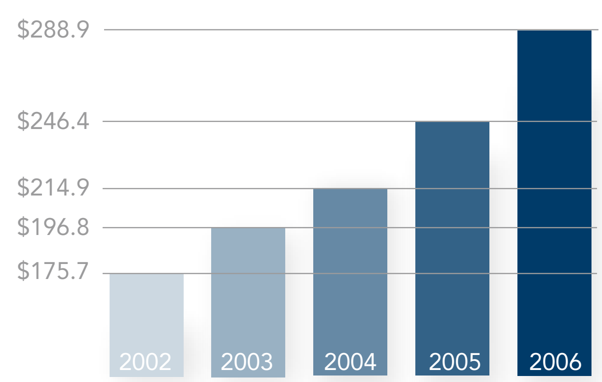
(in thousands)	2002	2003	2004	2005	2006
License revenue	$40,233	$43,229	$49,886	$57,119	$66,543
Total revenue	175,721	196,814	214,919	246,404	288,868
Net income	23,605	20,581	21,634	18,635	19,331
Adjusted net income	24,946 [1]	23,464 [2]	23,797 [3]	25,711 [4]	30,264 [5]
Cash, cash equivalent and investments	$121,857	$155,403	$172,656	$93,675	$131,057
Total assets	221,864	266,608	290,239	273,398	314,893
Total shareholders' equity	179,618	224,158	239,017	205,398	237,140

License revenue (in millions)



Total revenues (in millions)



(1) In fiscal 2002, the following pretax adjustments were made to adjusted net income: $1.8 million for the amortization of acquisition-related intangibles; a $1.5 million write-off of in-process research and development; a $1.2 million recapture of previously recorded sales tax expense; and a $2.3 million recovery relating to a bankrupt customer. The total after tax impact of these adjustments was a $1.3 million increase to adjusted net income.

(2) In fiscal 2003, the following pretax adjustments were made to adjusted net income: $3.4 million for the amortization of acquisition-related intangibles; $0.9 million in connection with a restructuring charge; $0.9 million for acquisition related expenses; a $0.8 million recovery related to a bankrupt customer; and a $30,000 recapture of previously recorded sales tax expense. The total after tax impact of these adjustments was a $2.9 million increase to adjusted net income.

(3) In fiscal 2004, the following pretax adjustments were made to adjusted net income: $3.6 million for the amortization of acquisition-related intangibles and a $0.2 million recapture of previously recorded sales tax expense. The total after tax impact of these adjustments was a $2.2 million increase to adjusted net income.

(4) In fiscal 2005, the following pretax adjustments were made to adjusted net income: $4.5 million for the amortization of acquisition-related intangibles; $6.3 million in connection with severance, acquisition and accounts receivable charges; and a $1.2 million recapture of previously recorded sales tax expense. The total after tax impact of these adjustments was a $7.1 million increase to adjusted net income.

(5) In fiscal 2006, the following pretax adjustments were made to adjusted net income: $4.9 million for the amortization of acquisition-related intangibles; $6.6 million of stock option expense; $2.9 million in legal settlements; $1.5 million of employee retention bonuses associated with the Evant acquisition; a $0.3 million impairment charge against our investment in a technology company; and a $1.6 million recapture of previously recorded sales tax expense. The total after tax impact of these adjustments was a $10.9 million increase to adjusted net income.

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grocers cingula
brands crosc
deca del m
logistics
ergon
fitness
genuin
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Offices in:

Australia
China
France
India
Japan
Netherlands
Singapore
United Kingdom
United States

About Manhattan Associates, Inc.

Manhattan Associates is a leading supply chain solutions provider. The company's supply chain planning, supply chain execution, business intelligence and business process platform capabilities enable its more than 1,200 customers worldwide to enhance profitability, performance and competitive advantage. For more information, please visit www.manh.com.

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