UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 25, 2006**

MANHATTAN ASSOCIATES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Georgia	**0-23999**	**58-2373424**
(State or Other Jurisdiction of Incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2300 Windy Ridge Parkway, Suite 700, Atlanta, Georgia
30339
(Address of Principal Executive Offices)
(Zip Code)

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

NONE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing in intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On July 25, 2006, Manhattan Associates, Inc. (the "Company") issued a press release providing the results for its financial performance for the second quarter ended June 30, 2006. A copy of this press release is attached as Exhibit 99.1. Pursuant to General Instruction B.2 of Form 8-K, this exhibit is "furnished" and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934.

The press release includes, as additional information regarding our operating results, our adjusted operating income, adjusted net income and adjusted earnings per share, which excludes the impact of acquisition-related costs and the amortization thereof, the recapture of previously recognized transaction tax expense, and stock option expense under SFAS 123(R), and the severance and accounts receivable charge recorded in the same period, all net of income tax effects. Adjusted operating income, adjusted net income and adjusted earnings per share are not in accordance with, or an alternative for, operating income, net income and earnings per share under generally accepted accounting principles in the United States ("GAAP") and may be different from non-GAAP operating income, net income and earnings per share measures used by other companies. Non-GAAP financial measures should not be used as a substitute for, or considered superior to, measures of financial performance prepared in accordance with the GAAP.

We believe that these adjusted (non-GAAP) results provide more meaningful information regarding those aspects of our current operating performance that can be effectively managed and consequently have developed our internal reporting, compensation and planning systems using these measures.

- Because we sporadically engage in strategic acquisitions, we incur acquisition-related costs that consist of primarily expenses from accounting and legal due diligence incurred whether or not we ultimately proceed with the transaction. Additionally, we might assume and incur certain unusual costs, such as employee retention benefits, that result from arrangements made prior to the acquisition. These acquisition costs are practically difficult to predict and do not correlate to the expenses of our core operations. The amortization of acquisition-related intangible assets is commonly excluded from the GAAP operating income, net income and earnings per share by companies in our industry and we therefore exclude these amortization costs to provide more relevant and meaningful comparisons of our operating results with that of our competitors.

- Because we have recognized the full potential amount of the transaction (sales) tax expense in prior periods, any recovery of that expense resulting from the expiration of the state sales tax statutes or the collection of the taxes from our customers would overstate the current period net income derived from our core operations as the recovery is not a result of anything occurring within our control during the current period.

- Because stock option expense under SFAS 123(R) is determined in significant part by the trading price of our common stock and the volatility thereof, over which we have no direct control, the impact of such expense is not subject to effective management by us. Excluding the impact of SFAS 123(R) in adjusted operating income, adjusted net income and adjusted earnings per share is consistent with our competitors and other companies within our industry.

- In our second quarter of 2005, we had a significant write-off of accounts receivable from a customer resulting from a legal dispute over the implementation of our software. We believe the revenue and accounts receivable are completely justified; however, given the size of the customer and its geographic location in Germany, we believe collection of the receivable to be doubtful. This is not a common occurrence and the filing of the suit by our customer was not controllable by us.

- Lastly, the significant severance charge recorded in the second quarter of 2005 was the result of the combination and centralization of our European operations in an attempt to become more efficiently organized in Europe. We do not believe this is a customary cost that results from normal operating activities. While for US GAAP purposes we are required to include as a part of normal operations, we believe the exclusion of this item will allow us to focus our performance assessment on our core operations.

For these reasons, we have developed our internal reporting, compensation and planning systems using non-GAAP measures which adjust for these amounts.

We believe the reporting of adjusted operating income, adjusted net income and adjusted earnings per share facilitates investors' understanding of our historical operating trends, because it provides important supplemental measurement information in evaluating the operating results of our business as distinct from results that include items that are not indicative of ongoing operating results and thus provide the investors with useful insight into our profitability exclusive of unusual adjustments. While these adjusted items may not be considered as non-recurring in nature in a strictly accounting sense, the management regards those items as infrequent and not arising out of the ordinary course of business and finds it useful to utilize a non-GAAP measure in evaluating the performance of our underlying core business.

We also believe that adjusted operating income, adjusted net income and adjusted earnings per share provides a basis for more relevant comparisons to other companies in the industry and enables investors to evaluate our operating performance in a manner consistent with our internal basis of measurement and also presents our investors our operating results on the same basis as that used by our management. Management refers to adjusted operating income, adjusted net income and adjusted earnings per share in making operating decisions because they provide meaningful supplemental information regarding our operational performance and our ability to invest in research and development and fund acquisitions and capital expenditures. In addition, adjusted operating income, adjusted net income and adjusted earnings per share facilitate management's internal comparisons to our historical operating results and comparisons to competitors' operating results. Further, we rely on adjusted operating income, adjusted net income and adjusted net income per share information as primary measures to review and assess the operating performance of our company and our management team in connection with our executive compensation and bonus plans. Since most of our employees are not directly involved with decisions surrounding acquisitions or severance related activities and other items irrelevant to our core operations, we do not believe it is appropriate and fair to have their incentive compensation affected by these items. By adjusting those items not indicative of ongoing operating results, the non-GAAP financial measure could serve as an alternative useful measure to evaluate our prospect for future performance because our investors are able to more conveniently predict the results of our operating activities on an on-going basis when excluding these less common items.

Investors should be aware that these non-GAAP measures have inherent limitations, including their variance from certain of the financial measurement principals underlying GAAP, should not be considered as a replacement for operating income, net income and earnings per share, respectively, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For instance, we exclude the charges of the acquisition-related costs and the related amortization while we still retain the acquisition-related benefits and revenue in calculation of the non-GAAP adjusted operating income, net income and earnings per share. In addition, we exclude a portion of employee compensation, which is commonly considered integral to a company's operational performance. This supplemental non-GAAP information should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to net earnings determined in accordance with GAAP.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release, dated July 25, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Manhattan Associates, Inc.

By: /s/ Dennis B. Story

Dennis B. Story

Senior Vice President and Chief Financial Officer

Dated: July 25, 2006

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release, dated July 25, 2006.

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

Contact: Matt Roberts
Investor Relations/Business Analysis Director
678.597.7317
mroberts@manh.com

Manhattan Associates Reports Record Quarterly Revenue and Earnings

Second Quarter 2006 Software Revenue Totals $21.2 Million, an increase of 45% over the second quarter of 2005

ATLANTA — July 25, 2006 — Leading supply chain solutions provider, Manhattan Associates, Inc. (NASDAQ: MANH), today reported second quarter GAAP diluted earnings per share of $0.25. On a non-GAAP basis, diluted earnings per share were $0.34, a 37% increase over the second quarter of 2005 on record software revenue of $21.2 million.

SECOND QUARTER FINANCIAL HIGHLIGHTS:
Summarized highlights of the 2006 second quarter results, as compared to the 2005 second quarter, are:

- Consolidated revenue increased 27% to a record $77.9 million;
  - Software and hosting revenue was $21.2 million, an increase of 45%;
  - Services revenue was $48.4 million, a 17% increase;
- GAAP operating income was $10.8 million, up 72% on higher software and hosting revenue. On a non-GAAP basis, operating income was $14.1 million, a 22% increase;
- GAAP diluted earnings per share were $0.25, increasing 150%. Adjusted earnings per share, on a non-GAAP basis, were $0.34, a 37% increase;
- Cash flow from operations increased 47% to a record $21.5 million;
- Cash and investments on hand at June 30, 2006, was $113.2 million;
- The Company repurchased 439,790 common shares totaling $9.0 million at an average share price of $20.33 in the quarter, thereby completing its $50 million buyback program approved in July 2005;
- The Board of Directors approved the repurchase of up to an additional $50 million of Manhattan Associates’ outstanding common stock.

FIRST HALF FINANCIAL HIGHLIGHTS:

Summarized highlights of the 2006 first-half, as compared to the 2005 first-half, are:

- Consolidated revenue increased 20% to a record $140.7 million;
  - Software and hosting revenue was $32.3 million, increasing 14%;
  - Services revenue totaled $93.6 million, a 19% increase;
- GAAP diluted earnings per share were $0.34, increasing 28%. Adjusted earnings per share, on a non-GAAP basis, were $0.51, a 19% increase;
- Cash flow from operations increased 54% to a record $31.4 million.

"I am pleased with our financial results for the second quarter," said Pete Sinisgalli, president and chief executive officer of Manhattan Associates. "Our strong second quarter license revenue and our continued strong performance from our services business puts us right on track for our full year objectives. In addition, I am particularly pleased with our recent release of our comprehensive suite of Supply Chain Solutions," he continued.

Other significant achievements during the quarter include:

- Securing key new customers in the quarter including Alshaya Trading Co. WLL., Anderson Media, Inc., CargoCare, Family Dollar, Inc., Lenta, Lianozovo Dairy, NSA, LLC, Payless ShoeSource, Inc., School Apparel, Inc., Shenzhen Jin Tian Logistics Technology Co., Ltd., Speed Transportation, The Orvis Company, Inc., Toshiba TEC America and Tyco Healthcare Group LP;
- Expanding partnerships with many existing customers including ASICS AMERICA Corporation, Carole Hochman Designs, Inc., Cingular Wireless, LLC, DeCA, Fiskars Brands, Inc., Genuine Parts Co., Henkel Consumer Adhesives, Inc., Mothercare UK Limited, Nissin Corporation, Office Depot, Inc., Okaidi, Phillips Van Heusen Corporation, PT Matahari Putra Pima Tbk, Teva Pharmaceuticals USA, Inc., The Hillman Group, The Jay Group and Walls Industries;
- Closing three large deals, each of which was $1 million or more in recognized license revenue;
- Releasing the latest version of Supply Chain Solutions which includes even greater capabilities to leverage demand and optimize product flow while providing increased visibility for companies. With the release of these products, companies can experience greater return on assets, improvements in operating expenses, lower inventory carrying costs and shorter order to cash cycle times.

- Expanding our Science Advisory Board, which includes thought leaders from top academic institutions, such as the Massachusetts Institute of Technology, The Wharton School at the University of Pennsylvania, Columbia University and the Georgia Institute of Technology, as well as leading industry executives.

2006 GUIDANCE

Manhattan Associates provided the following diluted earnings per share guidance for the third quarter and full year 2006. The 2006 GAAP diluted earnings per share includes the impact of adopting SFAS 123(R). A full reconciliation of GAAP to non-GAAP diluted earnings per share is included in the supplemental attachments to this release.

	Range			
GAAP				
Q3 2006 - diluted earnings per share	**$**	**0.14 -**	**$**	**0.19**
Full year 2006 - diluted earnings per share	**$**	**0.70 -**	**$**	**0.74**
Adjusted - Non-GAAP				
Q3 2006 - adjusted earnings per share	**$**	**0.22 -**	**$**	**0.27**
Full year 2006 - adjusted earnings per share	**$**	**1.01 -**	**$**	**1.05**

Manhattan Associates currently intends to publish, in each quarterly earnings release, certain expectations with respect to future financial performance. The statements regarding future financial performance are based on current expectations, which include a modestly improving general economic and information technology spending environment over the course of the current year. These statements are forward looking. Actual results may differ materially, especially in the current uncertain economic environment. These statements do not reflect the potential impact of mergers, acquisitions or other business combinations that may be completed after the date of this release.

Manhattan Associates will make its earnings release and published expectations available on its Web site (www.manh.com). Beginning September 14, 2006, Manhattan Associates will observe a “Quiet Period” during which Manhattan Associates and its representatives will not comment concerning previously published financial expectations. Prior to the start of the Quiet Period, the public can continue to rely on the expectations published in this 2006 Guidance section as still being Manhattan Associates’ current expectation on matters covered, unless Manhattan

Associates publishes a notice stating otherwise. The public should not rely on previously published expectations during the Quiet Period, and Manhattan Associates disclaims any obligation to update any previously published financial expectations during the Quiet Period. The Quiet Period will extend until the date when Manhattan Associates' next quarterly earnings release is published, currently scheduled for the fourth week of October 2006.

GAAP VERSUS NON-GAAP PRESENTATION

The Company provides adjusted operating income, adjusted net income and adjusted earnings per share in this press release as additional information regarding the Company's operating results. The measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP operating income, net income and non-GAAP earnings per share measures used by other companies. The Company believes that this presentation of adjusted operating income, adjusted net income and adjusted earnings per share provides useful information to investors regarding additional financial and business trends relating to the Company's financial condition and results of operations. This release should be read in conjunction with our Form 8-K earnings release filing for this quarter ended June 30, 2006.

The non-GAAP adjusted operating income, adjusted net income and adjusted earnings per share exclude the impact of acquisition related costs and the amortization thereof, the recapture of previously recognized sales tax expense, the severance and accounts receivable charge recorded in the same period and stock option expense under SFAS 123(R). Second quarter 2006 results prepared in accordance with U.S. GAAP are reconciled with non-GAAP results excluding the impact of these adjustments. A full reconciliation of our GAAP financial measures to non-GAAP adjustments is included in the supplemental attachment to this release.

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 1200 customers worldwide to enhance profitability, performance and competitive advantage. For more information, please visit www.manh.com.

This press release 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, risks of international operations and general economic conditions. Additional risk factors are set forth in Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2005. Manhattan Associates undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	**2006**	2005
Revenue:				
Software and hosting	**$ 21,247**	$ 14,633	**$ 32,323**	$ 28,447
Services	**48,431**	41,266	**93,593**	78,703
Hardware and other	**8,223**	5,470	**14,770**	10,526
Total Revenue	**77,901**	61,369	**140,686**	117,676
Costs and Expenses:				
Cost of software and hosting	**1,846**	1,249	**3,010**	2,560
Cost of services	**23,661**	18,131	**45,677**	35,953
Cost of hardware and other	**7,432**	4,584	**12,972**	9,102
Research and development	**10,522**	7,869	**20,633**	15,547
Sales and marketing	**12,475**	10,507	**22,611**	20,195
General and administrative	**9,304**	7,113	**18,070**	13,812
Amortization of acquisition-related intangibles	**1,217**	1,207	**2,434**	2,131
Severance, accounts receivable, and acquisition-related charges	**607**	4,400	**1,329**	4,400
Total costs and expenses	**67,064**	55,060	**126,736**	103,700
Operating income	**10,837**	6,309	**13,950**	13,976
Other income, net	**1,251**	609	**2,097**	1,094
Income before income taxes	**12,088**	6,918	**16,047**	15,070
Income tax provision	**5,103**	3,966	**6,774**	7,136
Net income	**$ 6,985**	$ 2,952	**$ 9,273**	$ 7,934
Basic earnings per share	**$ 0.26**	$ 0.10	**$ 0.34**	$ 0.27
Diluted earnings per share	**$ 0.25**	$ 0.10	**$ 0.34**	$ 0.26
Weighted average number of shares:				
Basic	**27,305**	29,174	**27,302**	29,396
Diluted	**27,480**	29,764	**27,558**	30,015

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(in thousands, except per share amounts)

	Three Months Ended June 30,							
	2006 GAAP	**Adjustments**		**2006 Non-GAAP**	2005 GAAP	Adjustments		2005 Non-GAAP
Revenue:								
Software and hosting	**$ 21,247**			**$ 21,247**	$ 14,633			$ 14,633
Services	**48,431**			**48,431**	41,266			41,266
Hardware and other	**8,223**			**8,223**	5,470			5,470
Total Revenue	**77,901**	—		**77,901**	61,369	—		61,369
Costs and Expenses:								
Cost of software and hosting	**1,846**			**1,846**	1,249			1,249
Cost of services	**23,661**	**(522)**	**(a)**	**23,139**	18,131			18,131
Cost of hardware and other	**7,432**			**7,432**	4,584			4,584
Research and development	**10,522**	**(233)**	**(a)**	**10,289**	7,869			7,869
Sales and marketing	**12,475**	**(377)**	**(a)**	12,098	10,507			10,507
General and administrative	**9,304**	**(347)**	**(a)(c)**	**8,957**	**7,113**	291	(c)	7,404
Amortization of acquisition-related intangibles	**1,217**	**(1,217)**	**(b)**	—	1,207	(1,207)	(b)	—
Severance and accounts receivable charges	—			—	3,876	(3,876)	(e)	—
Acquisition-related charges	**607**	**(607)**	**(d)**	—	524	(524)	(d)	—
Total costs and expenses	**67,064**	**(3,303)**		**63,761**	55,060	(5,316)		49,744
Operating income	**10,837**	**3,303**		**14,140**	6,309	5,316		11,625
Other income, net	**1,251**			**1,251**	609			609
Income before income taxes	**12,088**	**3,303**		**15,391**	6,918	5,316		12,234
Income tax provision	**5,103**	**826**	**(f)**	**5,929**	3,966	794	(f)	4,760
Net income	**$ 6,985**	**$ 2,477**		**$ 9,462**	$ 2,952	$ 4,522		$ 7,474
Basic earnings per share	**$ 0.26**			**$ 0.35**	$ 0.10			$ 0.26
Diluted earnings per share	**$ 0.25**			**$ 0.34**	$ 0.10			$ 0.25
Weighted average number of shares:								
Basic	**27,305**			**27,305**	29,174			29,174
Diluted	**27,480**			**27,480**	29,764			29,764

(a) We adopted SFAS 123(R) on January 1, 2006 using the modified prospective method. SFAS 123(R) requires us to expense stock options issued to employees. Previously we did not record compensation expense for employee stock options. The 2006 adjustments to cost of services, research and development, and sales and marketing represent stock option compensation expense recorded during the period. The 2006 adjustment to general and administrative expense includes $812 of stock option compensation expense recorded during the three months ended June 30, 2006. Total stock option expense for the three months ended June 30, 2006 was $1.9 million pre-tax. Because stock option expense is determined in significant part by the trading price of our common stock and the volatility thereof, over which we have no direct control, the impact of such expense is not subject to effective management by us. Thus, we have excluded the impact of this expense from adjusted non-GAAP results.

(b) Adjustments represent purchase amortization from prior acquisitions. Such amortization is commonly excluded from GAAP net income by companies in our industry and we therefore exclude these amortization costs to provide more relevant and meaningful comparisons of our operating results to that of our competitors.

(c) Adjustment includes recoveries of $465 and $291 for the three months ended June 30, 2006 and 2005 of previously expensed sales tax resulting primarily from the expiration of the sales tax audit statutes in certain states. Because we have recognized the full potential amount of the sales tax expense in prior periods, any recovery of that expense resulting from the expiration of the statutes or the collection of tax from our customers would overstate the current period net income derived from our core operations as the recovery is not a result of anything occurring within our control during the current period. Thus, we have excluded these recoveries from adjusted non-GAAP results.

(d) In conjunction with the Evant acquisition, we paid $2.8 million into escrow for employee retention purposes. These funds are being distributed to employees upon completion of up to 12 months of service with us. The amount is being expensed over the required employee retention period. To date, $2.4 million of the $2.8 million has been expensed. The 2006 adjustment represents the current period expense associated with these retention bonuses. The 2005 adjustment includes $.5 million in expense related to an unsuccessful acquisition attempt. We have excluded these costs because they do not correlate to the expenses of our core operations.

(e) Amount includes the write-off of a $2.8 million receivable from a German customer resulting from a legal dispute over the implementation of our software. We believe that the revenue and accounts receivable are justified; however, given the size of the customer and its geographic location in Germany, we believe the receivable to be uncollectible. The adjustment also includes severance and other costs of $1.1 million resulting from the consolidation of EMEA operations and the termination of 17 employees. We do not believe that these are common costs that result from normal operating activities.

(f) Amount represents the impact of the above adjustments on the income tax provision. The GAAP effective tax rate for 2006 is higher than the adjusted non-GAAP rate primarily due to stock compensation expense recorded on incentive stock options that is not deductible for tax purposes.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(in thousands, except per share amounts)

	Six Months Ended June 30,							
	2006 GAAP	**Adjustments**		**2006 Non-GAAP**	**2005 GAAP**	**Adjustments**		**2005 Non-GAAP**
Revenue:								
Software and hosting	**$ 32,323**			**$ 32,323**	$ 28,447			$ 28,447
Services	**93,593**			**93,593**	78,703			78,703
Hardware and other	**14,770**			**14,770**	10,526			10,526
Total Revenue	**140,686**	—		**140,686**	117,676	—		117,676
Costs and Expenses:								
Cost of software and hosting	**3,010**			**3,010**	2,560			2,560
Cost of services	**45,677**	**(1,063)**	**(a)**	**44,614**	35,953			35,953
Cost of hardware and other.	**12,972**			**12,972**	9,102			9,102
Research and development.	**20,633**	**(476)**	**(a)**	**20,157**	15,547			15,547
Sales and marketing	**22,611**	**(709)**	**(a)**	**21,902**	20,195			20,195
General and administrative	**18,070**	**(640)**	**(a)(c)**	**17,430**	13,812	618	(c)	14,430
Amortization of acquisition-related intangibles	**2,434**	**(2,434)**	**(b)**	**—**	2,131	(2,131)	(b)	—
Severance and accounts receivable charges	**—**			**—**	3,876	(3,876)	(e)	—
Acquisition-related charges.	**1,329**	**(1,329)**	**(d)**	**—**	524	(524)	(d)	—
Total costs and expenses	**126,736**	**(6,651)**		**120,085**	103,700	(5,913)		97,787
Operating income	**13,950**	**6,651**		**20,601**	13,976	5,913		19,889
Other income, net	**2,097**			**2,097**	1,094			1,094
Income before income taxes	**16,047**	**6,651**		**22,698**	15,070	5,913		20,983
Income tax provision	**6,774**	**1,968**	**(f)**	**8,742**	7,136	1,026	(f)	8,162
Net income	**$ 9,273**	**$ 4,683**		**$ 13,956**	$ 7,934	$ 4,887		$ 12,821
Basic earnings per share	**$ 0.34**			**$ 0.51**	$ 0.27			$ 0.44
Diluted earnings per share	**$ 0.34**			**$ 0.51**	$ 0.26			$ 0.43
Weighted average number of shares:								
Basic	**27,302**			**27,302**	29,396			29,396
Diluted	**27,558**			**27,558**	30,015			30,015

(a) We adopted SFAS 123(R) on January 1, 2006 using the modified prospective method. SFAS 123(R) requires us to expense stock options issued to employees. Previously we did not record compensation expense for employee stock options. The 2006 adjustments to cost of services, research and development, and sales and marketing represent stock option compensation expense recorded during the period. The 2006 adjustment to general and administrative expense includes $1,372 of stock option compensation expense recorded during the six months ended June 30, 2006. Total stock option expense for the six months ended June 30, 2006 was $3.6 million pre-tax. Because stock option expense is determined in significant part by the trading price of our common stock and the volatility thereof, over which we have no direct control, the impact of such expense is not subject to effective management by us. Thus, we have excluded the impact of this expense from adjusted non-GAAP results.

(b) Adjustments represent purchase amortization from prior acquisitions. Such amortization is commonly excluded from GAAP net income by companies in our industry and we therefore exclude these amortization costs to provide more relevant and meaningful comparisons of our operating results to that of our competitors.

(c) Adjustment includes recoveries of $732 and $618 for the six months ended June 30, 2006 and 2005 of previously expensed sales tax resulting primarily from the expiration of the sales tax audit statutes in certain states. Because we have recognized the full potential amount of the sales tax expense in prior periods, any recovery of that expense resulting from the expiration of the statutes or the collection of tax from our customers would overstate the current period net income derived from our core operations as the recovery is not a result of anything occurring within our control during the current period. Thus, we have excluded these recoveries from adjusted non-GAAP results.

(d) In conjunction with the Evant acquisition, we paid $2.8 million into escrow for employee retention purposes. These funds are being distributed to employees upon completion of up to 12 months of service with us. The amount is being expensed over the required employee retention period. To date, $2.4 million of the $2.8 million has been expensed. The 2006 adjustment represents the current period expense associated with these retention bonuses. The 2005 adjustment includes $.5 million in expense related to an unsuccessful acquisition attempt. We have excluded these costs because they do not correlate to the expenses of our core operations.

(e) Amount includes the write-off of a $2.8 million receivable from a German customer resulting from a legal dispute over the implementation of our software. We believe that the revenue and accounts receivable are justified; however, given the size of the customer and its geographic location in Germany, we believe the receivable to be uncollectible. The adjustment also includes severance and other costs of $1.1 million resulting from the consolidation of EMEA operations and the termination of 17 employees. We do not believe that these are common costs that result from normal operating activities.

(f) Amount represents the impact of the above adjustments on the income tax provision. The GAAP effective tax rate for 2006 is higher than the adjusted non-GAAP rate primarily due to stock (f) compensation expense recorded on incentive stock options that is not deductible for tax purposes.

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 14,265**	$ 19,419
Short term investments	**69,931**	36,091
Accounts receivable, net of a $4,877 and $4,892 allowance for doubtful accounts in 2006 and 2005, respectively	**51,483**	58,623
Deferred income taxes	**6,284**	6,377
Refundable income taxes	**476**	449
Prepaid expenses and other current assets	**10,139**	11,268
Total current assets	**152,578**	132,227
Property and equipment, net	**15,006**	14,240
Long-term investments	**29,035**	38,165
Acquisition-related intangible assets, net	**16,788**	19,213
Goodwill, net	**54,607**	54,607
Deferred income taxes	**12,566**	11,995
Other assets	**4,900**	2,951
Total assets	**$285,480**	$ 273,398
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 6,106**	$ 7,904
Accrued compensation and benefits	**15,468**	15,224
Accrued liabilities	**13,412**	13,427
Deferred revenue	**31,216**	27,204
Income taxes payable	**5,464**	2,535
Deferred rent	**494**	544
Current portion of capital lease obligations	**75**	147
Total current liabilities	**72,235**	66,985
Deferred rent	**512**	689
Deferred revenue	**470**	326
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, no shares issued or outstanding in 2006 or 2005	**—**	—
Common stock, $.01 par value; 100,000,000 shares authorized, 27,033,561 shares issued and outstanding in 2006 and 27,207,260 shares issued and outstanding in 2005	**270**	272
Additional paid-in capital	**85,007**	87,476
Retained earnings	**126,263**	116,990
Accumulated other comprehensive income	**723**	863
Deferred compensation	**—**	(203)
Total shareholders' equity	**212,263**	205,398
Total liabilities and shareholders' equity	**$285,480**	$ 273,398

MANHATTAN ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2006	**2005**
Operating activities:		
Net income	**$ 9,273**	$ 7,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**4,060**	3,745
Amortization of acquisition- related intangibles	**2,434**	2,131
Stock compensation	**3,688**	122
Accounts receivable charge	**—**	2,815
Gain on disposal of equipment	**(28)**	—
Tax benefit of options exercised	**1,632**	(47)
Excess tax benefits from stock based compensation	**(1,345)**	—
Deferred income taxes	**(513)**	2,776
Unrealized foreign currency loss	**415**	931
Changes in operating assets and liabilities:		
Accounts receivable, net	**6,994**	(4,204)
Other assets	**(1,363)**	(2,476)
Prepaid retention bonus	**1,219**	—
Accounts payable and accrued liabilities	**(1,841)**	3,154
Income taxes	**2,908**	1,149
Deferred rent	**(177)**	(102)
Deferred revenue	**4,044**	2,458
Net cash provided by operating activities	**31,400**	20,386
Investing activities:		
Purchase of property and equipment	**(4,755)**	(4,648)
Net maturities (purchases) of investments	**(24,646)**	(382)
Payments in connection with various acquisitions	**—**	(166)
Net cash used in investing activities	**(29,401)**	(5,196)
Financing activities:		
Payment of capital lease obligations	**(72)**	(69)
Purchase of common stock	**(8,960)**	(19,977)
Excess tax benefits from stock based compensation	**1,345**	—
Proceeds from issuance of common stock from options exercised	**1,372**	582
Net cash used in financing activities	**(6,315)**	(19,464)
Foreign currency impact on cash	**(838)**	(516)
Net change in cash and cash equivalents	**(5,154)**	(4,790)
Cash and cash equivalents at beginning of period	**19,419**	37,429
Cash and cash equivalents at end of period	**$ 14,265**	$ 32,639

MANHATTAN ASSOCIATES, INC.
SUPPLEMENTAL INFORMATION

1. **Revenues and operating income (loss) by reportable segment are as follows (in thousands):**

	2005					2006	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr
Revenue:							
Americas	$ 46,776	$ 49,573	$ 49,175	$ 55,398	$200,922	$ 51,143	65,695
EMEA	6,626	7,924	8,490	7,632	30,672	6,952	6,850
Asia Pacific	2,905	3,872	4,642	3,391	14,810	4,690	5,356
	$ 56,307	$ 61,369	$ 62,307	$ 66,421	$246,404	$ 62,785	$ 77,901
GAAP Operating Income (Loss):							
Americas	$ 9,107	$ 10,539	$ 6,085	$ 8,989	$ 34,720	$ 2,467	10,095
EMEA	(1,314)	(4,655)	690	926	(4,353)	245	3
Asia Pacific	(126)	425	476	(865)	(90)	401	739
	$ 7,667	$ 6,309	$ 7,251	$ 9,050	$ 30,277	$ 3,113	$ 10,837
Adjustments (pre-tax):							
Americas:							
Amortization of intangibles	$ 924	$ 1,207	$ 1,161	$ 1,200	$ 4,492	$ 1,217	1,217
Stock based compensation	—	—	—	—	—	1,558	1,819
Sales tax recoveries	(327)	(291)	(240)	(370)	(1,228)	(267)	(465)
Acquisition related costs	—	524	1,081	829	2,434	722	607
	$ 597	$ 1,440	$ 2,002	$ 1,659	$ 5,698	$ 3,230	$ 3,178
EMEA:							
Stock based compensation	$ —	$ —	$ —	$ —	$ —	$ 118	$ 125
Restructuring charge	—	1,061	—	—	1,061	—	—
Write off of receivable	—	2,815	—	—	2,815	—	—
	—	3,876	—	—	3,876	118	125
Total Adjustments	$ 597	$ 5,316	$ 2,002	$ 1,659	$ 9,574	$ 3,348	$ 3,303
Adjusted non-GAAP Operating Income (Loss):							
Americas	$ 9,704	$ 11,979	$ 8,087	$ 10,648	$ 40,418	$ 5,697	$ 13,273
EMEA	(1,314)	(779)	690	926	(477)	363	128
Asia Pacific	(126)	425	476	(865)	(90)	401	739
	$ 8,264	$ 11,625	$ 9,253	$ 10,709	$ 39,851	$ 6,461	$ 14,140

2. **Capital expenditures are as follows (in thousands):**

	2005					2006	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr
Capital expenditures	$ 2,507	$ 2,141	$ 2,698	$ 1,142	$ 8,488	$ 2,195	$ 2,560

3. **Adoption of Statement of Financial Accounting Standards 123(R), "Share-Based Payment":**

The Company adopted SFAS 123(R) on January 1, 2006 using the modified prospective transition method. SFAS 123(R) requires the Company to expense stock options issued to employees. Previously, the Company did not record compensation expense for employee stock options. Actual stock option expense recorded for 2006, as well as proforma expense for 2005 as if the Company had previously adopted the new statement on January 1, 2005 is presented below. During the fourth quarter of 2005, the Board of Directors approved an Option Acceleration Agreement that accelerated the vesting of unvested stock options held by the Company's employees with an exercise price of $22.09 or higher. Stock option expense for the fourth quarter of 2005 includes $37.2 million of stock option expense ($26.9 million after tax) equal to the unamortized fair value of the options.

	2005 — Proforma					2006	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr
Stock option expense (pre-tax)	$ 5,694	$ 5,519	$ 5,392	$ 42,769	$ 59,374	$ 1,676	$ 1,944
Income tax benefit	(1,144)	(1,112)	(1,083)	(11,631)	(14,970)	(499)	(303)
Stock option expense, net of income tax	$ 4,550	$ 4,407	$ 4,309	$ 31,138	$ 44,404	$ 1,177	$ 1,641
Diluted EPS impact	$ 0.15	$ 0.15	$ 0.15	$ 1.13	$ 1.55	$ 0.04	$ 0.06

The adoption of SFAS 123(R) reduced first and second quarter 2006 GAAP diluted earnings per share by $.04 and $.06, respectively. The Company estimates that the accounting required by SFAS 123(R) will reduce full year 2006 GAAP diluted earnings per share by approximately $0.20 and will contribute to an overall effective tax rate of 42.2%. This estimate is dependent upon a number of variables such as the number of options awarded, cancelled or exercised and fluctuations in share price during the year.

4. **Stock Repurchase Activity**

During the second quarter of 2006, we repurchased .4 million shares of common stock at a total cost of $9 million. During 2005, we repurchased 2.8 million shares of common stock at a total cost of $61 million.