



Sapient Corporation
Consolidated Unaudited Condensed Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(in thousands, except per share amounts)				
Revenues:				
Service revenues	\$ 165,826	\$ 128,594	\$ 320,057	\$ 249,889
Reimbursable expenses	4,498	4,531	10,801	9,025
Total gross revenues	170,324	133,125	330,858	258,914
Operating expenses:				
Project personnel expenses	110,674	87,157	217,581	170,987
Reimbursable expenses	4,498	4,531	10,801	9,025
Total project personnel expenses and reimbursable expenses	115,172	91,688	228,382	180,012
Selling and marketing expenses	10,498	8,141	21,351	15,749
General and administrative expenses	32,155	31,441	62,196	60,945
Restructuring and other related (benefits) charges	(136)	(57)	7	(169)
Amortization of purchased intangible assets	473	523	960	1,065
Total operating expenses	158,162	131,736	312,896	257,602
Income from operations	12,162	1,389	17,962	1,312
Interest and other income, net	1,584	1,216	4,354	2,519
Income before income taxes	13,746	2,605	22,316	3,831
Provision for income taxes	2,172	1,758	3,626	2,209
Net income	\$ 11,574	\$ 847	\$ 18,690	\$ 1,622
Basic net income per share	\$ 0.09	\$ 0.01	\$ 0.15	\$ 0.01
Diluted net income per share	\$ 0.09	\$ 0.01	\$ 0.15	\$ 0.01
Weighted average common shares	125,544	123,423	125,787	123,387
Weighted average dilutive common share equivalents	3,101	4,153	3,013	3,873
Weighted average common shares and dilutive common share equivalents	128,645	127,576	128,800	127,260



Sapient Corporation
Consolidated Unaudited Condensed Balance Sheets

	June 30, 2008	(in thousands)	December 31, 2007
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 140,225		\$ 118,697
Marketable securities, current portion	5,535		57,667
Restricted cash, current portion	236		458
Accounts receivable, less allowance for doubtful accounts	89,185		82,413
Unbilled revenues	43,978		33,403
Prepaid expenses and other current assets	22,223		22,720
Total current assets	301,382		315,358
Marketable securities, net of current portion	19,252		-
Restricted cash, net of current portion	2,288		1,294
Property and equipment, net	37,190		34,914
Purchased intangible assets, net	4,552		5,512
Goodwill	40,774		40,544
Other assets	10,950		9,982
Total assets	\$ 416,388		\$ 407,604
LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 9,797		\$ 7,264
Accrued compensation	46,136		54,203
Accrued restructuring costs, current portion	3,455		3,584
Deferred revenues, current portion	12,862		13,701
Other current liabilities	49,680		47,405
Total current liabilities	121,930		126,157
Accrued restructuring costs, net of current portion	6,074		7,689
Deferred revenues, net of current portion	434		577
Other long-term liabilities	15,163		12,332
Total liabilities	143,601		146,755
Redeemable common stock	-		290
Stockholders' equity	272,787		260,559
Total liabilities, redeemable common stock and stockholders' equity	\$ 416,388		\$ 407,604



Sapient Corporation
Consolidated Unaudited Statements of Cash Flows

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(in thousands)			
Cash flows from operating activities:				
Net income	\$ 11,574	\$ 847	\$ 18,690	\$ 1,622
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss recognized on disposition of fixed assets	60	26	90	34
Unrealized loss on financial instruments	3	-	62	-
Depreciation and amortization expense	4,626	4,246	9,624	7,695
Deferred income taxes	(71)	205	(535)	421
Recovery of allowance for doubtful accounts, net	(47)	(185)	(340)	(29)
Stock-based compensation expense (non-cash portion)	4,404	4,688	8,889	8,855
Changes in operating assets and liabilities, net of acquisition and disposition:				
Accounts receivable	(3,240)	(12,345)	(6,025)	(26,511)
Unbilled revenues	(6,200)	(2,064)	(10,518)	(897)
Prepaid expenses and other current assets	(3,495)	(2,043)	(181)	(4,719)
Other assets	(134)	(329)	(187)	438
Accounts payable	(573)	556	2,509	(744)
Accrued compensation	6,382	6,062	(9,166)	623
Accrued restructuring costs	(1,044)	(1,206)	(1,746)	(2,378)
Deferred revenues	2,905	8,521	(968)	4,366
Other accrued liabilities	4,282	(1,619)	2,514	(4,171)
Other long-term liabilities	2,520	463	2,420	3,254
Net cash provided by (used in) operating activities	<u>21,952</u>	<u>5,823</u>	<u>15,132</u>	<u>(12,141)</u>
Cash flows from investing activities:				
Cash paid for acquisition, including transaction costs, net of cash received	(883)	(883)	(1,108)	(883)
Cash received for sale of discontinued operations, net, and payment to minority stockholders	-	-	720	436
Purchases of property and equipment and cost of internally developed software	(7,420)	(8,477)	(11,491)	(10,202)
Sales and maturities of marketable securities	4,795	21,642	40,045	54,642
Purchases of marketable securities	9	(16,451)	(8,330)	(52,796)
Change in restricted cash	(704)	(173)	(708)	47
Net cash (used in) provided by investing activities	<u>(4,203)</u>	<u>(4,342)</u>	<u>19,128</u>	<u>(8,756)</u>
Cash flows from financing activities:				
Principal payments under capital lease obligation	(21)	(30)	(40)	(67)
Proceeds from stock option and purchase plans	829	2,561	1,776	2,561
Repurchases of common stock	(7,905)	-	(9,902)	-
Net cash (used in) provided by financing activities	<u>(7,097)</u>	<u>2,531</u>	<u>(8,166)</u>	<u>2,494</u>
Effect of exchange rate changes on cash and cash equivalents	(3,745)	2,361	(4,566)	2,812
Increase (decrease) in cash and cash equivalents	6,907	6,373	21,528	(15,591)
Cash and cash equivalents, at beginning of period	133,318	53,058	118,697	75,022
Cash and cash equivalents, at end of period	<u>\$ 140,225</u>	<u>\$ 59,431</u>	<u>\$ 140,225</u>	<u>\$ 59,431</u>



Sapient Corporation
Unaudited Reconciliation of Non-GAAP Financial Measures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(in thousands, except per share amounts)				
Service revenues	\$ 165,826	\$ 128,594	\$ 320,057	\$ 249,889
GAAP income from operations	\$ 12,162	\$ 1,389	\$ 17,962	\$ 1,312
Stock-based compensation review and restatement expenses	408	3,383	857	6,578
Stock-based compensation expense	4,408	4,688	8,931	8,855
Restructuring and other related (benefits) charges	(136)	(57)	7	(169)
Amortization of purchased intangible assets	473	523	960	1,065
Non-GAAP income from operations	\$ 17,315	\$ 9,926	\$ 28,717	\$ 17,641
GAAP operating margin	7.3%	1.1%	5.6%	0.5%
Effect of adjustments detailed above	3.1%	6.6%	3.4%	6.6%
Non-GAAP operating margin	10.4%	7.7%	9.0%	7.1%
GAAP net income	\$ 11,574	\$ 847	\$ 18,690	\$ 1,622
Stock-based compensation review and restatement expenses	408	3,383	857	6,624
Stock-based compensation expense	4,408	4,688	8,931	8,855
Restructuring and other related charges	(136)	(57)	7	(169)
Amortization of purchased intangible assets	473	523	960	1,065
Non-GAAP net income	\$ 16,727	\$ 9,384	\$ 29,445	\$ 17,997
GAAP basic income per share	\$ 0.09	\$ 0.01	\$ 0.15	\$ 0.01
Effect of adjustments detailed above	0.04	0.07	0.08	0.14
Non-GAAP basic income per share	\$ 0.13	\$ 0.08	\$ 0.23	\$ 0.15
GAAP weighted average common shares	125,544	123,423	125,787	123,387
Non-GAAP weighted average common shares	125,544	123,423	125,787	123,387
GAAP diluted income per share	\$ 0.09	\$ 0.01	\$ 0.15	\$ 0.01
Effect of adjustments noted above and change in dilution noted below	0.04	0.06	0.08	0.13
Non-GAAP diluted income per share	\$ 0.13	\$ 0.07	\$ 0.23	\$ 0.14
GAAP weighted average common shares and dilutive common share equivalents	128,645	127,576	128,800	127,260
Non-GAAP weighted average common shares and dilutive common share equivalents	128,645	127,576	128,800	127,260