

Sapient Corporation
Consolidated Unaudited Condensed Statements of Operations

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
	(in thousands, except per share amounts)			
Revenues:				
Service revenues	\$ 164,684	\$ 154,959	\$ 662,412	\$ 546,438
Reimbursable expenses	7,825	5,701	25,076	19,551
Total gross revenues	172,509	160,660	687,488	565,989
Operating expenses:				
Project personnel expenses	103,896	104,682	435,508	372,363
Reimbursable expenses	7,825	5,701	25,076	19,551
Total project personnel expenses and reimbursable expenses	111,721	110,383	460,584	391,914
Selling and marketing expenses	6,223	8,700	36,233	33,113
General and administrative expenses	27,530	30,449	123,188	120,617
Restructuring and other related charges	95	236	194	32
Amortization of purchased intangible assets	968	486	2,660	2,038
Total operating expenses	146,537	150,254	622,859	547,714
Income from operations	25,972	10,406	64,629	18,275
Interest and other income, net	1,282	1,785	7,086	5,900
Income before income taxes	27,254	12,191	71,715	24,175
Provision for income taxes	1,535	3,018	9,239	8,959
Net income	\$ 25,719	\$ 9,173	\$ 62,476	\$ 15,216
Basic net income per share	\$ 0.20	\$ 0.07	\$ 0.50	\$ 0.12
Diluted net income per share	\$ 0.20	\$ 0.07	\$ 0.48	\$ 0.12
Weighted average common shares	126,528	125,025	125,988	124,180
Weighted average dilutive common share equivalents	2,401	3,658	3,176	3,711
Weighted average common shares and dilutive common share equivalents	128,929	128,683	129,164	127,891

Sapient Corporation
Consolidated Unaudited Condensed Balance Sheets

	December 31, 2008	December 31, 2007
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 169,340	\$ 118,697
Marketable securities, current portion	3,462	57,667
Restricted cash, current portion	372	458
Accounts receivable, less allowance for doubtful accounts	88,930	82,413
Unbilled revenues	43,665	33,403
Prepaid expenses and other current assets	20,223	22,720
Total current assets	325,992	315,358
Marketable securities, net of current portion	17,267	-
Restricted cash, net of current portion	2,139	1,294
Property and equipment, net	32,397	34,914
Purchased intangible assets, net	9,644	5,512
Goodwill	51,711	40,544
Other assets	13,120	9,982
	\$ 452,270	\$ 407,604
LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,977	\$ 7,264
Accrued compensation	55,605	54,203
Accrued restructuring costs, current portion	3,123	3,584
Deferred revenues, current portion	15,143	13,701
Other current liabilities	47,082	47,405
Total current liabilities	127,930	126,157
Accrued restructuring costs, net of current portion	4,799	7,689
Deferred revenues, net of current portion	289	577
Other long-term liabilities	17,305	12,332
Total liabilities	150,323	146,755
Redeemable common stock	-	290
Stockholders' equity	301,947	260,559
	\$ 452,270	\$ 407,604

Sapient Corporation
Consolidated Unaudited Statements of Cash Flows

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(in thousands)			
Cash flows from operating activities:				
Net income	\$ 25,719	\$ 9,173	\$ 62,476	\$ 15,216
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss (gain) recognized on disposition of fixed assets	556	(13)	660	72
Unrealized gain on financial instruments	(1,220)	(11)	(264)	(11)
Unrealized loss on marketable securities and put right, net	310	-	310	-
Depreciation and amortization expense	4,972	4,934	19,878	17,338
Deferred income taxes	(84)	(925)	45	782
Recovery of doubtful accounts, net	(162)	(1,244)	(54)	(1,426)
Stock-based compensation expense (non-cash portion)	1,785	4,693	15,122	17,996
Changes in operating assets and liabilities, net of acquisition and disposition:				
Accounts receivable	2,644	2,609	(7,132)	(3,676)
Unbilled revenues	(167)	3,858	(15,914)	1,726
Prepaid expenses and other current assets	4,356	2,783	753	(1,047)
Other assets	280	(559)	(189)	(499)
Accounts payable	(2,561)	2,168	(685)	(3,342)
Accrued compensation	3,436	9,540	2,009	18,180
Accrued restructuring costs	(733)	(1,105)	(3,323)	(4,572)
Deferred revenues	(91)	(4,419)	3,002	(1,922)
Other accrued liabilities	399	(1,056)	8,393	(1,738)
Other long-term liabilities	(2,741)	1,238	(27)	5,124
Net cash provided by operating activities	<u>36,698</u>	<u>31,664</u>	<u>85,060</u>	<u>58,201</u>
Cash flows from investing activities:				
Cash paid for acquisition, including transaction costs, net of cash received	-	-	(23,517)	(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	(3,759)	(5,390)	(17,889)	(20,361)
Sales and maturities of marketable securities	11,177	24,895	54,741	103,637
Purchases of marketable securities	-	(50,605)	(8,330)	(109,423)
Designation of cash equivalent to marketable securities	-	-	(11,626)	-
Cash paid on financial instruments, net	(955)	-	(955)	-
Change in restricted cash	(4)	7	(908)	360
Net cash provided by (used in) investing activities	<u>6,459</u>	<u>(31,093)</u>	<u>(7,764)</u>	<u>(26,234)</u>
Cash flows from financing activities:				
Principal payments under capital lease obligation	(13)	(21)	(68)	(106)
Repayment of bank loan	-	-	(1,364)	-
Proceeds from stock option and purchase plans	88	5,060	6,184	11,068
Windfall tax benefit from exercise and release of stock-based awards	85	182	85	182
Repurchases of common stock	-	(619)	(9,902)	(4,395)
Net cash provided by (used in) financing activities	<u>160</u>	<u>4,602</u>	<u>(5,065)</u>	<u>6,749</u>
Effect of exchange rate changes on cash and cash equivalents	(9,089)	(270)	(21,588)	4,959
Increase in cash and cash equivalents	34,228	4,903	50,643	43,675
Cash and cash equivalents, at beginning of period	135,112	113,794	118,697	75,022
Cash and cash equivalents, at end of period	<u>\$ 169,340</u>	<u>\$ 118,697</u>	<u>\$ 169,340</u>	<u>\$ 118,697</u>

Sapient Corporation
Unaudited Reconciliation of Non-GAAP Financial Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
	(in thousands, except per share amounts)			
Service revenues	\$ 164,684	\$ 154,959	\$ 662,412	\$ 546,438
GAAP income from operations	\$ 25,972	\$ 10,406	\$ 64,629	\$ 18,275
Stock-based compensation review and restatement (benefit) expenses	(960)	420	(36)	7,483
Stock-based compensation expense	1,793	4,726	15,213	18,554
Restructuring and other related charges	95	236	194	32
Amortization of purchased intangible assets	968	486	2,660	2,038
Non-GAAP income from operations	\$ 27,868	\$ 16,274	\$ 82,660	\$ 46,382
GAAP operating margin	15.8%	6.7%	9.8%	3.3%
Effect of adjustments detailed above	1.1%	3.8%	2.7%	5.2%
Non-GAAP operating margin	16.9%	10.5%	12.5%	8.5%
GAAP net income	\$ 25,719	\$ 9,173	\$ 62,476	\$ 15,216
Stock-based compensation review and restatement (benefit) expenses	(960)	420	(36)	7,529
Stock-based compensation expense	1,793	4,726	15,213	18,554
Restructuring and other related charges	95	236	194	32
Amortization of purchased intangible assets	968	486	2,660	2,038
Non-GAAP net income	\$ 27,615	\$ 15,041	\$ 80,507	\$ 43,369
GAAP basic income per share	\$ 0.20	\$ 0.07	\$ 0.50	\$ 0.12
Effect of adjustments detailed above	0.02	0.05	0.14	0.23
Non-GAAP basic income per share	\$ 0.22	\$ 0.12	\$ 0.64	\$ 0.35
GAAP weighted average common shares	126,528	125,025	125,988	124,180
Non-GAAP weighted average common shares	126,528	125,025	125,988	124,180
GAAP diluted income per share	\$ 0.20	\$ 0.07	\$ 0.48	\$ 0.12
Effect of adjustments noted above and change in dilution noted below	0.01	0.05	0.14	0.22
Non-GAAP diluted income per share	\$ 0.21	\$ 0.12	\$ 0.62	\$ 0.34
GAAP weighted average common shares and dilutive common share equivalents	128,929	128,683	129,164	127,891
Non-GAAP weighted average common shares and dilutive common share equivalents	128,929	128,683	129,164	127,891