

**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): **October 25, 2012**

**CRA INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Massachusetts**  
(State or other jurisdiction  
of incorporation)

**000-24049**  
(Commission  
file number)

**04-2372210**  
(IRS employer  
identification no.)

**200 Clarendon Street, Boston, Massachusetts**  
(Address of principal executive offices)

**02116**  
(Zip code)

Registrant's telephone number, including area code: **(617) 425-3000**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is 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 October 25, 2012, we issued a press release reporting our financial results for our third quarter ended September 29, 2012. A copy of the press release is set forth as Exhibit 99.1 and is incorporated by reference herein. On October 25, 2012, we also posted on our website supplemental financial information, including prepared CFO remarks. A copy of the supplemental financial information is set forth as Exhibit 99.2 and is incorporated by reference herein.

The information contained in Item 2.02 of this report and Exhibits 99.1 and 99.2 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as expressly set forth by specific reference in such a filing.

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Number</u>	<u>Title</u>
99.1	October 25, 2012 press release
99.2	Supplemental financial information

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**SIGNATURES**

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

**CRA INTERNATIONAL, INC.**

Dated: October 25, 2012

By: /s/ Wayne D. Mackie  
Wayne D. Mackie  
Executive Vice President, Treasurer, and Chief Financial Officer

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**Exhibit Index**

<u>Number</u>	<u>Title</u>
99.1	October 25, 2012 press release
99.2	Supplemental financial information

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## FOR IMMEDIATE RELEASE

**Contact:**

Wayne D. Mackie  
 Executive Vice President, CFO  
 Charles River Associates  
 617-425-3740

Jim Buckley  
 Executive Vice President  
 Sharon Merrill Associates, Inc.  
 617-542-5300

**CHARLES RIVER ASSOCIATES (CRA) ANNOUNCES  
 THIRD-QUARTER 2012 FINANCIAL RESULTS**

***Company Completes Majority of Planned Restructuring Activities and Delivers Solid Performance During Third Quarter; Company On Track to Achieve Continuing Performance Improvement in the Fourth Quarter and 2013***

BOSTON, October 25, 2012 – Charles River Associates (NASDAQ: CRAI), a worldwide leader in providing management, economic and financial consulting services, today announced third quarter financial results for the quarter ended September 29, 2012.

Revenue for the third quarter of fiscal 2012 was \$65.9 million, compared with \$71.0 million for the third quarter of fiscal 2011. Non-GAAP revenue for the third quarter of fiscal 2012 was \$64.7 million, compared with \$69.4 million for the third quarter of fiscal 2011.

Net loss for the third quarter of fiscal 2012 was \$0.7 million, or \$0.07 per share. This compares with net income for the third quarter of fiscal 2011 of \$3.7 million, or \$0.34 per diluted share. Results for the third quarter of fiscal 2012 include a pre-tax restructuring charge of \$4.4 million. Non-GAAP net income for the third quarter of fiscal 2012 was \$2.8 million, or \$0.27 per diluted share, compared with \$3.3 million, or \$0.31 per diluted share, for the third quarter of fiscal 2011.

A complete reconciliation between revenue, net income/loss and net income/loss per diluted share, on a GAAP and non-GAAP basis, for the third quarters and nine month year-to-date periods of fiscal 2012 and fiscal 2011 are provided in the financial tables at the end of this release.

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**Management Comments**

“As previously announced, during the third quarter we eliminated two underperforming businesses and restructured select practices,” said Paul Maleh, CRA’s President and Chief Executive Officer. “These comprehensive actions should intensify the focus of our portfolio, increase the cohesiveness of our services, significantly enhance our margins, lessen the drag on our overall tax rate, and improve profitability. Our third-quarter results reflect some of the benefits associated with the restructuring actions and a solid performance by a number of our practices.”

“During the quarter, our Litigation business delivered good results despite some general industry headwinds,” said Maleh. “The Litigation business was led by strong contributions from our Intellectual Property, Competition, and Labor & Employment practices, among others. At the same time, demand for our Management Consulting services continued to improve from its slow start at the beginning of the year led by our Marakon practice, which achieved year-over-year growth in the third quarter.”

“Our utilization for the third quarter was 67%; excluding the consultants involved in our workforce reduction, our utilization rate for the third quarter would be 71%,” Maleh said. “We continue to expect the reduction in consulting positions to reduce net revenue on an annual basis by approximately \$8 to \$10 million while generating an annualized cost of service savings of approximately \$17 million.”

“Also during the quarter and as previously announced, we took significant actions to lower our SG&A expenses,” said Maleh. “In the third quarter, we reduced our administrative staff, lowered administrative spending on outside contractors and eliminated excess office space. We continue to expect that the majority of these SG&A actions will be completed by the end of fiscal 2012 and will generate an annualized cost savings of approximately \$8 million.”

“Our restructuring activities completed during the third quarter helped to increase our non-GAAP operating margin to 8.1% in the quarter from 5.9% in the second quarter,” Maleh said.

**Outlook**

“We continue to focus on growing organically, supplemented by new senior hires,” Maleh said. “During the third quarter, we increased our operating margin organically and we made a number of key hires whom we expect will contribute to our growth and profitability going forward. Looking ahead, we remain on track to achieve our established target of double-digit non-GAAP operating

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margin in the fourth quarter. We also continue to anticipate that once fully completed, the consulting staff reductions, the repositioning of select underperforming practices and the lowering of SG&A costs will, in total, improve our operating profitability by approximately \$15 to \$17 million on an annualized basis. We believe the steps we have taken better position the Company for long-term profitable growth and enhanced margin performance,” Maleh concluded.

**Conference Call Information and Prepared CFO Remarks**

CRA will host a conference call this morning at 9:00 a.m. ET to discuss its third-quarter fiscal 2012 financial results. To listen to a live webcast of the call, please visit the Company’s website at <http://www.crai.com> prior to the event’s broadcast. To listen to the call via telephone, dial (201) 689-8881 or (877) 709-

8155. Interested parties unable to participate in the live call may access an archived version of the webcast on CRA's website.

In combination with this press release, CRA is providing prepared remarks by its CFO Wayne Mackie under "Conference Call Materials" in the investor relations section on the Company's website at <http://www.crai.com>. These remarks are offered to provide the investment community with additional background on CRA's financial results prior to the start of the conference call.

### About Charles River Associates (CRA)

Charles River Associates® is a global consulting firm specializing in litigation, regulatory, and financial consulting, and management consulting. CRA advises clients on economic and financial matters pertaining to litigation and regulatory proceedings, and guides corporations through critical business strategy and performance-related issues. Since 1965, clients have engaged CRA for its unique combination of functional expertise and industry knowledge, and for its objective solutions to complex problems. Detailed information about Charles River Associates, a registered trade name of CRA International, Inc., is available at <http://www.crai.com>.

### NON-GAAP FINANCIAL MEASURES

In addition to reporting its financial results in accordance with U.S. generally accepted accounting principles, or GAAP, the Company has also provided in this release non-GAAP financial information. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method of evaluating its results of operations. The Company believes that presenting its financial results excluding certain restructuring costs and the results of the Company's

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NeuCo subsidiary is important to investors and management because it is more indicative of the Company's ongoing operating results and financial condition. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, the financial information presented in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Specifically, for each of the periods presented other than the third quarter of fiscal 2011, the Company has excluded certain restructuring costs, and for each of the periods presented, the Company has excluded NeuCo's results.

*Statements in this press release concerning the future business, operating results, anticipated, expected or intended impact of restructuring actions and key hires, estimated cost savings, and financial condition of the Company and statements using the terms "anticipates," "believes," "expects," "should," "prospects," "target," "on track" or similar expressions are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain, and actual performance and results may differ materially due to many important factors. Such factors that could cause actual performance or results to differ materially from any forward-looking statements made by the Company include, among others, the Company's restructuring costs and attributable annual cost savings, changes in the Company's effective tax rate, share dilution from the Company's stock-based compensation, dependence on key personnel, attracting, recruiting and retaining qualified consultants, dependence on outside experts, utilization rates, completing acquisitions and factors related to its completed acquisitions, including integration of personnel, clients and offices, and unanticipated expenses and liabilities, the risk of impairment write downs to the Company's intangible assets, including goodwill, if the Company's enterprise value declines below certain levels, risks associated with acquisitions it may make in the future, risks inherent in international operations, the performance of NeuCo, changes in accounting standards, rules and regulations, changes in the law that affect the Company's practice areas, management of new offices, the potential loss of clients, the ability of customers to terminate the Company's engagements on short notice, dependence on the growth of the Company's management consulting*

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*practice, the unpredictable nature of litigation-related projects, the ability of the Company to integrate successfully new consultants into its practice, general economic conditions, intense competition, risks inherent in litigation, and professional liability. Further information on these and other potential factors that could affect the Company's financial results is included in the Company's periodic filings with the Securities and Exchange Commission. The Company cannot guarantee any future results, levels of activity, performance or achievement. The Company undertakes no obligation to update any of its forward-looking statements after the date of this press release.*

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**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS**  
**FOR THE QUARTER ENDED SEPTEMBER 29, 2012 COMPARED TO THE QUARTER ENDED OCTOBER 1, 2011**  
**(In thousands, except per share data)**

	Quarter Ended September 29, 2012					Quarter Ended October 1, 2011					
	GAAP Results	% of Revenues	Adjustments to GAAP Results (Restructuring) (1)	Adjustments to GAAP Results (NeuCo) (2)	Non-GAAP Results	Non-GAAP % of Revenues	GAAP Results	% of Revenues	Adjustments to GAAP Results (NeuCo) (2)	Non-GAAP Results	Non-GAAP % of Revenues
Revenues	\$65,912	100.0%	\$ —	\$ 1,242	\$ 64,670	100.0%	\$71,007	100.0%	\$ 1,619	\$ 69,388	100.0%
Costs of services	46,175	70.1%	3,435	311	42,429	65.6%	46,571	65.6%	288	46,283	66.7%
Gross profit (loss)	19,737	29.9%	(3,435)	931	22,241	34.4%	24,436	34.4%	1,331	23,105	33.3%

Selling, general and administrative expenses	17,227	26.1%	960	709	15,558	24.1%	17,013	24.0%	837	16,176	23.3%
Depreciation and amortization	1,475	2.2%	29	1	1,445	2.2%	1,209	1.7%	5	1,204	1.7%
Income (loss) from operations	1,035	1.6%	(4,424)	221	5,238	8.1%	6,214	8.8%	489	5,725	8.3%
Interest and other income (expense), net	(19)	0.0%	—	(35)	16	0.0%	(256)	-0.4%	(39)	(217)	-0.3%
Income (loss) before (provision) benefit for income taxes and noncontrolling interest	1,016	1.5%	(4,424)	186	5,254	8.1%	5,958	8.4%	450	5,508	7.9%
(Provision) benefit for income taxes	(1,722)	-2.6%	825	(43)	(2,504)	-3.9%	(2,060)	-2.9%	148	(2,208)	-3.2%
Net income (loss)	(706)	-1.1%	(3,599)	143	2,750	4.3%	3,898	5.5%	598	3,300	4.8%
Net (income) loss attributable to noncontrolling interest, net of tax	(38)	-0.1%	—	(38)	—	0.0%	(238)	-0.3%	(238)	—	0.0%
Net income (loss) attributable to CRA International, Inc.	<u>\$ (744)</u>	<u>-1.1%</u>	<u>\$ (3,599)</u>	<u>\$ 105</u>	<u>\$ 2,750</u>	<u>4.3%</u>	<u>\$ 3,660</u>	<u>5.2%</u>	<u>\$ 360</u>	<u>\$ 3,300</u>	<u>4.8%</u>
Net income (loss) per share attributable to CRA International, Inc.:											
Basic	<u>\$ (0.07)</u>				<u>\$ 0.27</u>		<u>\$ 0.35</u>			<u>\$ 0.31</u>	
Diluted	<u>\$ (0.07)</u>				<u>\$ 0.27</u>		<u>\$ 0.34</u>			<u>\$ 0.31</u>	
Weighted average number of shares outstanding:											
Basic	<u>10,084</u>				<u>10,084</u>		<u>10,557</u>			<u>10,557</u>	
Diluted	<u>10,084(3)</u>				<u>10,214(3)</u>		<u>10,701</u>			<u>10,701</u>	

(1) During the fiscal quarter ended September 29, 2012, the Company incurred pre-tax expenses of \$4.4 million and related income tax effect of \$0.8 million principally associated with restructuring actions announced in the third quarter of fiscal 2012. These actions included the elimination and restructuring of selected practice areas, and reducing selling, general and administrative costs. In connection with the restructuring plan, the Company eliminated its Chemicals practice and closed its Middle East operations.

(2) These adjustments include activity related to NeuCo in the Company's GAAP results.

(3) Approximately 130,000 common stock equivalents are excluded from the GAAP results because they are antidilutive in the third quarter of fiscal 2012 due to the net loss, but they are included in the non-GAAP results because they are dilutive based upon the net income.

**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS**  
**FOR THE YEAR TO DATE PERIOD ENDED SEPTEMBER 29, 2012 COMPARED TO THE YEAR TO DATE PERIOD ENDED OCTOBER 1, 2011**  
(In thousands, except per share data)

	Year To Date Period Ended September 29, 2012						Year To Date Period Ended October 1, 2011					
	GAAP		Adjustments to	Adjustments to	Non-GAAP		GAAP		Adjustments to	Adjustments to	Non-GAAP	
	GAAP Results	% of Revenues	GAAP Results (Restructuring) (1)	GAAP Results (NeuCo) (2)	GAAP Results		% of Revenues	GAAP Results	% of Revenues	GAAP Results (Restructuring) (3)	GAAP Results (NeuCo) (2)	GAAP Results
Revenues	\$ 202,857	100.0%	\$ —	\$ 3,914	\$ 198,943	100.0%	\$ 230,255	100.0%	\$ —	\$ 4,309	\$ 225,946	100.0%
Costs of services	138,110	68.1%	3,435	993	133,682	67.2%	151,862	66.0%	—	1,077	150,785	66.7%
Gross profit (loss)	64,747	31.9%	(3,435)	2,921	65,261	32.8%	78,393	34.0%	—	3,232	75,161	33.3%
Selling, general and administrative expenses	52,018	25.6%	1,731	2,512	47,775	24.0%	53,529	23.2%	1,020	2,966	49,543	21.9%
Depreciation and amortization	5,580	2.8%	1,174	3	4,403	2.2%	3,760	1.6%	—	20	3,740	1.7%
Income (loss) from operations	7,149	3.5%	(6,340)	406	13,083	6.6%	21,104	9.2%	(1,020)	246	21,878	9.7%
Interest and other income (expense), net	(185)	-0.1%	—	(117)	(68)	0.0%	(918)	-0.4%	—	(124)	(794)	-0.4%

Income (loss) before (provision) benefit for income taxes and noncontrolling interest	6,964	3.4%	(6,340)	289	13,015	6.5%	20,186	8.8%	(1,020)	122	21,084	9.3%
(Provision) benefit for income taxes	(6,461)	-3.2%	869	(98)	(7,232)	-3.6%	(7,791)	-3.4%	379	34	(8,204)	-3.6%
Net income (loss)	503	0.2%	(5,471)	191	5,783	2.9%	12,395	5.4%	(641)	156	12,880	5.7%
Net (income) loss attributable to noncontrolling interest, net of tax	(9)	0.0%	—	(9)	—	0.0%	7	0.0%	—	7	—	0.0%
Net income (loss) attributable to CRA International, Inc.	\$ 494	0.2%	\$ (5,471)	\$ 182	\$ 5,783	2.9%	\$ 12,402	5.4%	\$ (641)	\$ 163	\$ 12,880	5.7%
Net income per share attributable to CRA International, Inc.:												
Basic	\$ 0.05			\$ 0.57			\$ 1.17				\$ 1.21	
Diluted	\$ 0.05			\$ 0.56			\$ 1.15				\$ 1.20	
Weighted average number of shares outstanding:												
Basic	10,214			10,214			10,607				10,607	
Diluted	10,364			10,364			10,773				10,773	

(1) During the year to date period ended September 29, 2012, the Company incurred pre-tax expenses of \$6.3 million and related income tax effect of \$0.9 million principally associated with restructuring actions announced in the third quarter of fiscal 2012. Of these amounts, \$4.4 million of pre-tax expenses and \$0.8 million of related income tax effect were in connection with restructuring activities announced during the third quarter of fiscal 2012. These actions included the elimination and restructuring of selected practice areas, and reducing selling, general and administrative costs. In connection with the restructuring plan, the Company eliminated its Chemicals practice and closed its Middle East operations. In the first half of fiscal 2012, the Company also incurred pre-tax expenses of \$1.9 million and related income tax effect of \$44,000 in connection with the surrender of a portion of the Company's leased office space in London, England and adjustments related to its leased office space in Houston, TX.

(2) These adjustments include activity related to NeuCo in the Company's GAAP results.

(3) During the year to date period ended October 1, 2011, the Company incurred pre-tax expenses of \$1.0 million and related income tax effect of \$0.4 million principally associated with leased office space at its Houston, TX office.

**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	September 29, 2012	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents and short-term investments	\$ 42,297	\$ 76,082
Accounts receivable and unbilled, net	83,665	84,720
Other current assets	41,267	29,122
Total current assets	167,229	189,924
Property and equipment, net	18,605	21,611
Goodwill and intangible assets, net	144,385	143,126
Other assets	13,734	17,446
Total assets	\$ 343,953	\$ 372,107
<b>Liabilities and shareholders' equity</b>		
Current liabilities	\$ 62,905	\$ 82,273
Long-term liabilities	15,534	21,427
Total liabilities	78,439	103,700
Total shareholders' equity	265,514	268,407
Total liabilities and shareholders' equity	\$ 343,953	\$ 372,107



**CHARLES RIVER ASSOCIATES (CRA)  
THIRD QUARTER FISCAL YEAR 2012  
EARNINGS ANNOUNCEMENT  
PREPARED CFO REMARKS**

CRA is providing a copy of prepared remarks by CFO Wayne Mackie in combination with its press release. These remarks are offered to provide the investment community with additional information on CRA's financial results prior to the start of the conference call. As previously announced, the conference call will begin today, October 25, 2012, at 9:00 am ET. These prepared remarks will not be read on the call.

**Q3 2012 Summary (Quarter ended September 29, 2012)**

- Non-GAAP Revenue: \$64.7 million
- Non-GAAP Net Income: \$2.8 million, or \$0.27 per diluted share
- Non-GAAP Operating Margin: 8.1%
- Utilization: 67%; excluding workforce reduction related personnel: 71%
- Cash, Cash Equivalents, and Short-term Investments: \$42.3 million at September 29, 2012

**Revenue**

In today's press release, we reported Q3 GAAP revenue of \$65.9 million, compared with GAAP revenue of \$71.0 million for Q3 of fiscal 2011, the quarter ended October 1, 2011. GAAP revenue for Q3 of fiscal 2012 included \$1.2 million from our NeuCo subsidiary. GAAP revenue for Q3 of fiscal 2011 included \$1.6 million from NeuCo.

Excluding NeuCo revenue from all periods, non-GAAP revenue was \$64.7 million for Q3 of fiscal 2012 compared with \$69.4 million for Q3 of fiscal 2011. On a sequential basis, non-GAAP revenue in Q3 declined from the \$66.3 million reported in Q2 of fiscal 2012.

The Q3 year-over-year decline and sequential decrease in non-GAAP revenue are primarily related to the restructuring activities and reduction in workforce that we completed during the third quarter of fiscal 2012.

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Looking at our practices, exclusive of the restructuring, our revenue performance in Q3 of fiscal 2012 was generally consistent with the second quarter of this year. Q3 revenue was down on a year-over-year basis reflecting both the impact of the divested Chemicals practice and Middle East operation and a better environment for litigation engagements and management consulting assignments in the third quarter of fiscal 2011.

**Utilization**

Q3 utilization on a firm-wide basis was 67%. This compares with 73% in Q3 of fiscal 2011 and 70% in the second quarter of fiscal 2012. However, when you exclude the personnel that were involved in the workforce reduction, our utilization for the third quarter of fiscal 2012 would have been 71%. While still down year-over-year, we believe the transitional effects of the implementation of the Q3 restructuring activities had a negative impact on the utilization rate for Q3 of fiscal 2012.

**Gross Margin**

Q3 2012 GAAP gross margin was 29.9%, compared with 34.4% in Q3 of fiscal 2011. The lower Q3 year-over-year gross margin is due primarily to the restructuring costs incurred in Q3 2012 and, to a much lesser degree, NeuCo. Non-GAAP gross margin for Q3 of fiscal 2012 was 34.4% compared with non-GAAP gross margin of 33.3% in Q3 of fiscal 2011. The year-over-year improvement in non-GAAP gross margin was primarily driven by our restructuring activities, including the exiting and reorganizing of our least profitable lines of business. Client reimbursable expenses were \$8.0 million for Q3 of this year, compared with \$8.7 million for Q3 of fiscal 2011, representing nearly the same percentage of revenue for the respective quarters.

**SG&A Expenses**

For Q3 of fiscal 2012, GAAP SG&A expenses were \$17.2 million, or 26.1% of revenue, compared with GAAP SG&A expenses of \$17.0 million, or 24.0% of revenue in Q3 of fiscal 2011.

Non-GAAP SG&A expenses — which exclude restructuring charges and NeuCo — were \$15.6 million, or 24.1% of revenue, in Q3 of fiscal 2012, compared with \$16.2 million, or 23.3% of revenue, in Q3 of fiscal 2011. Although non-GAAP SG&A as a percentage of revenue increased in Q3 of fiscal 2012 compared with Q3 of fiscal 2011 due to lower revenue, we were pleased that we reduced our non-GAAP SG&A expenses on an absolute dollar basis by more than \$600,000.

Commissions to non-employee experts are included in non-GAAP SG&A. Those commissions represented 2.6% of non-GAAP revenue in Q3 of fiscal 2012 compared with 1.6% of non-GAAP revenue in Q3 of fiscal 2011 and 1.9% of non-GAAP revenue in Q2 of fiscal 2012. Excluding these commissions from our SG&A would result in our non-GAAP SG&A as a percentage of revenue being lower at 21.4% in Q3 2012, 21.8% in Q3 2011 and 21.9% in Q2 2012.

We believe that our non-GAAP SG&A will more completely reflect the effects of our restructuring activities going forward. A number of our initiatives are still underway

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including ongoing productivity enhancements and expense management programs, including office space management, and a reduction in outside contractor costs and professional fees. Tightly managing our SG&A expenses will remain a major focus for CRA in the coming quarters.

### Depreciation & Amortization

On a non-GAAP basis, depreciation and amortization expense was \$1.4 million for Q3 of fiscal 2012, compared with \$1.2 million for Q3 of fiscal 2011.

### Share-Based Compensation Expense

Share-based compensation expense was approximately \$1.3 million for Q3 of fiscal 2012, compared with \$1.1 million for Q3 of fiscal 2011.

### Operating Income

On a GAAP basis, operating income was \$1.0 million, or 1.6% of revenue, in Q3 of fiscal 2012, compared with operating income of \$6.2 million, or 8.8% of revenue, in Q3 of fiscal 2011. Non-GAAP operating income was \$5.2 million, or 8.1% of revenue, for Q3 of fiscal 2012, compared with \$5.7 million, or 8.3% of revenue, for Q3 of fiscal 2011.

On a sequential basis, you can begin to see the effects of our restructuring actions as the non-GAAP operating income of 8.1% of revenue in Q3 is a significant improvement from the \$3.9 million, or 5.9% of revenue, we reported in Q2 of fiscal 2012.

### Interest and Other Income (Expense), net

In Q3 of fiscal 2012, interest and other income (expense), net was an expense of \$19,000 on a GAAP basis and income of \$16,000 on a non-GAAP basis, compared with an expense of \$256,000 on a GAAP basis and an expense of \$217,000 on a non-GAAP basis for Q3 of fiscal 2011. The year-over-year reduction in this line item is primarily due to foreign currency transaction gains and losses.

### Income Taxes

The following table outlines our income tax provision recorded and the resulting effective tax rates (in \$000):

	GAAP		NON-GAAP	
	Q3		Q3	
	2012	2011	2012	2011
Tax Provision	\$ 1,722	\$ 2,060	\$ 2,504	\$ 2,208
Effective Tax Rate	169.5%	34.6%	47.7%	40.1%

The extraordinarily high Q3 of fiscal 2012 GAAP tax rate of nearly 170% results principally from the restructuring costs and operating loss from our Middle East operation. In addition, the restructuring costs in our UK operations created a tax loss for which no tax benefit could be recorded.

Our Q3 non-GAAP effective tax rate increased compared with Q3 of fiscal 2011 primarily due to the operating loss from our now shut-down Middle East operation. International operations accounted for 22% of total revenues in Q3 of fiscal 2012, compared with the 24% we recorded in Q3 fiscal 2011 and the 25% we recorded in Q2 of fiscal 2012. The increased tax rates and decrease in the international operation percentage are largely the result of the restructuring activities, including the exiting of our Middle East operation.

### Net Income (Loss)

GAAP net loss for Q3 of fiscal 2012 was \$0.7 million, or \$0.07 per share, compared with GAAP net income of \$3.7 million, or \$0.34 per diluted share, for Q3 of fiscal 2011. Net loss for Q3 of fiscal 2012 includes a pre-tax charge of \$4.4 million and related income tax effect of \$0.8 million associated with our restructuring activities including the elimination of underperforming practices and the reduction of some leased office space. Excluding NeuCo's results and restructuring adjustments, non-GAAP net income for Q3 of fiscal 2012 was \$2.8 million, or \$0.27 per diluted share, compared with \$3.3 million, or \$0.31 per diluted share, for Q3 of fiscal 2011.

### Key Balance Sheet Metrics

Turning to the balance sheet, billed and unbilled receivables at September 29, 2012 were \$83.7 million, compared with \$84.7 million at December 31, 2011 and \$88.1 million at June 30, 2012. Current liabilities at the end of Q3 of fiscal 2012 were \$62.9 million, compared with \$58.8 million at the end of Q2 of fiscal 2012.

Total DSOs in Q3 of fiscal 2012 were 115 days, flat with the 115 days we reported in Q2 of fiscal 2012. We are disappointed that we did not achieve a decline in DSOs during the quarter. We have increased our efforts related to our DSOs and expect it to return to historical levels. DSOs in Q3 of fiscal 2012 consisted of 77 days of billed and 38 days of unbilled as compared to 69 days of billed and 46 days of unbilled in Q2. We anticipate that the third quarter increase in billed DSO and decrease in unbilled DSO should translate into a stronger cash flow during the fourth quarter.

### Cash and Cash Flow

Cash, cash equivalents, and short-term investments were up slightly to \$42.3 million at September 29, 2012, compared with \$41.8 million at June 30, 2012. In addition, in Q3 we repurchased approximately 214,000 shares of our common stock for a cost of approximately \$3.4 million. Our capital expenditures totaled approximately \$0.4 million in Q3 of this year compared with approximately \$1.8 million in Q3 of fiscal 2011.

Net cash from operating activities was approximately \$4.2 million in Q3 of fiscal 2012 as compared to \$9.6 million in Q3 of fiscal 2011.



This concludes the prepared CFO remarks.

## **NON-GAAP FINANCIAL MEASURES**

In addition to reporting its financial results in accordance with U.S. generally accepted accounting principles, or GAAP, the Company has also provided in these remarks non-

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GAAP revenue, non-GAAP gross margin, non-GAAP SG&A expenses, non-GAAP depreciation and amortization, non-GAAP operating income, non-GAAP interest and other income (expense), net, non-GAAP tax provision, non-GAAP net income, and non-GAAP net income per diluted share. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method for evaluating its results of operations. The Company believes that presenting its financial results excluding certain restructuring costs and NeuCo's results is important to investors and management because it is more indicative of its ongoing operating results and financial condition. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, the financial information presented in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Specifically, for each of the periods presented other than the third quarter of fiscal 2011, the Company has excluded certain restructuring costs, and for each of the periods presented, the Company has excluded NeuCo's results.

## **SAFE HARBOR STATEMENT**

Statements in these prepared CFO remarks concerning the future business, operating results, anticipated, expected or intended impact of restructuring actions and key hires, estimated cost savings, and financial condition of the Company and statements using the terms "anticipates," "believes," "expects," "should," "prospects," "target," "on track," or similar expressions are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. Such factors that could cause actual performance or results to differ materially from any forward-looking statements made by the Company include, among others, the Company's restructuring costs and attributable annual cost savings, changes in the Company's effective tax rate, share dilution from the Company's stock-based compensation, dependence on key personnel, attracting, recruiting and retaining qualified consultants, dependence on outside experts, utilization rates, completing acquisitions and factors related to its completed acquisitions, including integration of personnel, clients and offices, and unanticipated expenses and liabilities, the risk of impairment write downs to the Company's intangible assets, including goodwill, if the Company's enterprise value declines below certain levels, risks associated with acquisitions it may make in the future, risks inherent in international operations, the performance of NeuCo, changes in accounting standards, rules and regulations, changes in the law that affect the Company's practice areas, management of new offices, the potential loss of clients, the ability of customers to terminate the Company's engagements on short notice, dependence on the growth of the Company's management consulting practice, the unpredictable nature of litigation-related projects, the ability of the Company to integrate successfully new consultants into its practice, general economic conditions, intense competition, risks inherent in litigation, and professional liability. Further information on

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these and other potential factors that could affect the Company's financial results is included in the Company's filings with the Securities and Exchange Commission. The Company cannot guarantee any future results, levels of activity, performance or achievement. The Company undertakes no obligation to update any of its forward-looking statements after the date of these remarks.

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