



Second Quarter
Financial Report

June 30, 2003



COMPANY OVERVIEW

CIBER, Inc. and its subsidiaries provide information technology (IT) system integration consulting and other services and to a lesser extent, resell certain hardware and software products. Our clients consist primarily of Fortune 500 and middle market companies across most major industries and governmental agencies. We operate from 70 offices across the United States, Canada and Europe. As of June 30, 2003, we had approximately 6,000 employees.

We began operations in 1974 to assist companies in need of computer programming support. In the mid-1980s, we initiated a growth strategy that included expanding our range of computer-related services, developing a professional sales force and selectively acquiring established complementary companies. We continue to expand and modify our service offerings to address changes in customer demands and rapidly changing technology. In addition, we look to form strategic alliances with select package software and hardware vendors to stay at the leading edge of technology advances, to develop new business and to generate additional revenue.

Our principal executive offices are located at 5251 DTC Parkway, Suite 1400, Greenwood Village, CO, 80111. Our Internet address is www.ciber.com. CIBER is traded on the New York Stock Exchange with the market symbol: CBR.

CIBER currently has three reportable segments, Custom Solutions, Package Solutions and CIBER Europe. The Custom Solutions segment primarily includes our CIBER custom branch offices. Our Package Solutions segment is comprised of our CIBER Enterprise Solutions Division and our subsidiary DigiTerra, Inc. CIBER Europe is made up of our ECSOft acquisition and CIBER Solution Partners.

CIBER Custom Solutions

Our CIBER custom branch operations provide IT project solutions and IT staffing in custom developed software environments. Each branch office has local leadership, sales, recruiting and delivery capabilities. Our branch office network is integral to our business strategy. Through the branch office network, we can (1) offer a broad range of consulting services on a local basis, (2) respond to changing market demands for IT services through a variety of contacts in many industries and geographic areas and (3) maintain a quality professional staff because of our nationwide reputation and our training programs. Our strategy is to leverage our long-standing staffing relationships to win strategic consulting and/or project solutions and systems integration business.

The migration toward a more solutions-based business model has resulted from our efforts to (1) create significant thought leadership in leading technologies through our National Practices, (2) establish a consultative sales methodology that enhances our ability to identify, pursue and close solutions-based business, and (3) improve our solutions delivery capability by continuing to refine our project management and delivery methodology. Our National Practices, which support the local sales and delivery functions, include: Enterprise Application Integration, Business Intelligence, Internet Solutions, Infrastructure and Security, Wireless Integration, Outsourcing, and Managed Services.



While 70% of our operations are directed at commercial clientele, 30% of our operations have a focus on state and federal government organizations. Our State Government Practice has a number of specialty focus areas, including: health and human services; public health; law and justice, and motor vehicles, among others. Our Federal Government Practice initiatives include: defense/aerospace; outsourcing; human resource and financial management systems; and strategy and enterprise services.

CIBER Package Solutions

Our CIBER Enterprise Solutions Division (CES) provides consulting services to support software from enterprise solutions vendors including Oracle, PeopleSoft and SAP. CES supports the Customer Relationship Management (CRM) offerings of these enterprise partners, and in addition, provides services for users of independent CRM software, such as Siebel and Onyx. CES is an Oracle Certified Solutions Partner, a PeopleSoft Certified Consulting Partner as well as an SAP Services Partner. CES has vertical expertise in healthcare, higher education, public sector, telecommunications and manufacturing, among others.

DigiTerra, Inc. primarily provides middle-market companies with packaged software assessment, planning and implementation services, with an emphasis on software from J. D. Edwards and Lawson, as well as several Supply Chain Management (SCM) products. DigiTerra's Technology Solutions Practice helps clients select, configure and design IT platform-related solutions and is an authorized reseller of selected hardware and software products from IBM, Hewlett-Packard, Sun Microsystems and Intermec.

CIBER Europe

CIBER Europe, a combination of ECsoft and CIBER Solution Partners provides a broad range of business and technical consulting services to include, application development, package implementation, systems integration, and support services. CIBER Europe has operations in the United Kingdom, Scandinavia and the Netherlands. CIBER Europe strives to help their customers exploit advances in information technology so that they can gain increased competitive advantage and create new business opportunities.

	Sequential Quarters				Quarter over Quarter				Year over Year			
	Q1 '03		Q2 '03		Q2 '02		Q2 '03		6 Mos. 6/30/02		6 Mos. 6/30/03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Company Total												
Consulting Services	\$ 164,864	97.23	\$ 168,950	95.37	\$ 148,662	95.88	\$ 168,950	95.37	\$ 276,405	95.45	\$ 333,814	96.28
Other Revenue	4,691	2.77	8,193	4.63	6,395	4.12	8,193	4.63	13,185	4.55	12,884	3.72
Total Revenue	169,555	100.00	177,143	100.00	155,057	100.00	177,143	100.00	289,589	100.00	346,698	100.00
Gross Profit-Services	46,533	28.23	49,478	29.29	43,575	29.31	49,478	29.29	79,124	28.63	96,011	28.76
Gross Profit-Other	1,058	22.55	2,635	32.16	1,888	29.52	2,635	32.16	4,472	33.92	3,693	28.66
Total Gross Profit	47,591	28.07	52,113	29.42	45,463	29.32	52,113	29.42	83,596	28.87	99,704	28.76
Selling, General & Administrative Expenses	39,223	23.13	39,938	22.55	39,774	25.65	39,938	22.55	74,870	25.85	79,161	22.83
Other Charges	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Operating Income before amortization expense	8,368	4.94	12,175	6.87	5,689	3.67	12,175	6.87	8,726	3.01	20,542	5.93
Amortization Expense	529	0.31	784	0.44	18	0.01	784	0.44	200	0.07	1,313	0.38
Other Income (Expense)	(393)	(0.23)	(126)	(0.07)	(308)	(0.20)	(126)	(0.07)	(488)	(0.17)	(519)	(0.15)
Income Before Taxes	7,446	4.39	11,265	6.36	5,363	3.46	11,265	6.36	8,038	2.78	18,711	5.40
Provision for Income Taxes	2,878	1.70	4,419	2.49	2,147	1.38	4,419	2.49	3,215	1.11	7,297	2.10
Net Income	4,568	2.69	6,846	3.86	3,216	2.07	6,846	3.86	4,823	1.67	11,414	3.29
Performance Metrics												
Ending Billable Headcount	5,085		5,060		4,760		5,060		4,760		5,060	
Overhead Employees	765		745		740		745		740		745	
Average Billing Rate	\$73.39		\$73.02		\$73.08		\$73.02		\$73.26		\$73.20	
Utilization	91.2%		90.5%		89.4%		90.5%		88.1%		91.0%	

Corporate/Intersegment Eliminations	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Total Revenue	\$ (612)	(0.36)	\$ (436)	(0.25)	\$ (777)	(0.50)	\$ (436)	(0.25)	\$ (1,447)	(0.50)	\$ (1,048)	(0.30)
Total Gross Profit	(5)	(0.00)	(33)	(0.02)	(95)	(0.06)	(33)	(0.02)	(301)	(0.10)	(38)	(0.01)
Selling, General & Administrative Expenses	5,115	3.02	5,163	2.91	6,998	4.51	5,163	2.91	11,765	4.06	10,277	2.96
Other Charges	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Operating Income before amortization expense	(5,120)	(3.02)	(5,196)	(2.93)	(7,093)	(4.57)	(5,196)	(2.93)	(12,066)	(4.17)	(10,315)	(2.98)

Custom Solutions Segment	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Consulting Services	\$ 128,691	97.52	\$ 127,668	96.63	\$ 123,715	96.96	\$ 127,668	96.63	\$ 227,782	96.83	\$ 256,360	97.08
Other Revenue	3,270	2.48	4,452	3.37	3,876	3.04	4,452	3.37	7,455	3.17	7,722	2.92
Total Revenue	131,961	100.00	132,120	100.00	127,591	100.00	132,120	100.00	235,236	100.00	264,081	100.00
Gross Profit-Services	34,379	26.71	35,098	27.49	35,199	28.45	35,098	27.49	63,565	27.91	69,479	27.10
Gross Profit-Other	349	10.67	433	9.71	459	11.85	433	9.71	913	12.25	782	10.12
Total Gross Profit	34,729	26.32	35,531	26.89	35,658	27.95	35,531	26.89	64,478	27.41	70,260	26.61
Selling, General & Administrative Expenses	22,509	17.06	22,193	16.80	23,367	18.31	22,193	16.80	44,985	19.12	44,703	16.93
Operating Income	12,220	9.26	13,338	10.10	12,291	9.63	13,338	10.10	19,493	8.29	25,556	9.68
Performance Metrics												
Ending Billable Headcount	4,105		4,120		4,200		4,120		4,200		4,120	
Overhead Employees	575		575		640		575		640		575	
Average Billing Rate	\$66.09		\$64.83		\$66.77		\$64.83		\$66.65		\$65.46	
Utilization	94.6%		93.9%		92.6%		93.9%		91.8%		94.4%	

Package Solutions Segment	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Consulting Services	\$ 21,531	94.60	\$ 21,767	86.37	\$ 20,679	89.15	\$ 21,767	86.37	\$ 40,749	88.70	\$ 43,297	90.27
Other Revenue	1,228	5.39	3,436	13.64	2,519	10.86	3,436	13.64	5,192	11.30	4,664	9.73
Total Revenue	22,759	100.00	25,202	100.00	23,198	100.00	25,202	100.00	45,941	100.00	47,962	100.00
Gross Profit-Services	7,851	36.46	7,619	35.00	6,390	30.90	7,619	35.00	12,006	29.46	15,469	35.73
Gross Profit-Other	565	46.02	2,071	60.26	1,429	56.72	2,071	60.26	3,465	66.73	2,637	56.53
Total Gross Profit	8,416	36.98	9,690	38.45	7,819	33.70	9,690	38.45	15,471	33.68	18,106	37.75
Selling, General & Administrative Expenses	6,604	29.02	6,604	26.20	7,985	34.42	6,604	26.20	15,427	33.58	13,208	27.54
Operating Income	1,812	7.96	3,086	12.24	(166)	(0.72)	3,086	12.24	44	0.10	4,898	10.21
Performance Metrics												
Ending Headcount	430		420		460		420		460		420	
Overhead Employees	85		80		90		80		90		80	
Average Billing Rate	\$149.42		\$147.25		\$145.20		\$147.25		\$144.80		\$148.33	
Utilization	75.8%		78.6%		63.8%		78.6%		61.4%		77.2%	

Europe Segment	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Consulting Services	\$ 15,254	98.75	\$ 19,951	98.49	\$ 5,045	100.00	\$ 19,951	98.49	\$ 9,322	94.54	\$ 35,205	98.61
Other Revenue	193	1.25	305	1.51	-	0.00	305	1.51	538	5.46	498	1.39
Total Revenue	15,447	100.00	20,257	100.00	5,045	100.00	20,257	100.00	9,860	100.00	35,703	100.00
Gross Profit-Services	4,308	28.24	6,794	34.05	2,081	41.25	6,794	34.05	3,854	41.34	11,102	31.53
Gross Profit-Other	144	74.66	131	42.82	(0)	#DIV/0!	131	42.82	94	17.47	274	55.14
Total Gross Profit	4,451	28.82	6,925	34.19	2,081	41.24	6,925	34.19	3,948	40.04	11,376	31.86
Selling, General & Administrative Expenses	4,995	32.34	5,978	29.51	1,424	28.22	5,978	29.51	2,693	27.32	10,973	30.73
Operating Income	(544)	(3.52)	947	4.68	657	13.02	947	4.68	1,255	12.72	403	1.13
Performance Metrics												
Ending Headcount	550		520		95		520		95		520	
Overhead Employees	105		90		10		90		10		90	
Average Billing Rate	\$101.82		\$101.53		\$107.73		\$101.53		\$102.65		\$101.66	
Utilization	72.1%		72.4%		76.6%		72.4%		76.4%		72.2%	



Second Quarter Highlights

Company Total

- **Revenue** for the quarter totaled \$177.1 million, an increase of 14.2% compared to \$155.1 million reported in the June 2002 quarter, and sequentially up 4.5% compared to the \$169.6 million reported in the March 2003 quarter. For the six months, revenue totaled \$346.7 million, compared to \$289.6 million for the first six months of 2002.
- **Gross profit** as a percentage of revenue for the quarter increased by approximately 10 basis points compared to the second quarter of last year. The increase was due to improved gross margins on other revenues to 32.2% for Q2 2003 from 29.5% for the same quarter of last year. Gross profit was also up when compared to Q1 of this year. Utilization improved year over year, but was down sequentially as there was more Paid Time Off (PTO) taken in Q2. For the first six months of 2003 gross profit-services increased 13 basis points over the first six months of 2002.
- **Selling, general and administrative expenses** increased to \$39.9 million for the quarter ended June 30, 2003 from \$39.8 million for the same period last year. However, as a percentage of sales, SG&A decreased to 22.5% for the June quarter 2003 from 25.7% in 2002, as we continue efforts to contain costs and leverage our existing infrastructure. That leverage is also reflected in the first six months of 2003, which was 22.8%, compared to 25.9% in 2002.
- **Operating Income before amortization expense** increased 113% to \$12.1 million (6.8% of revenues) for the June 2003 quarter from \$5.7 million (3.7% of revenues) for the same quarter of last year. For the six months, operating income before amortization expense totaled \$20.5 million, compared to \$8.7 million for the first six months of 2002, an increase of 135%.
- **Earnings per share** GAAP Earnings Per Share (EPS) for the quarter totaled \$.11, compared to \$.07 reported in the first quarter of this year. Q2 of 2002 had EPS of \$.05, which is an increase of 120% year over year. For the first six months of 2003, earnings totaled \$.18 per share.

CIBER Custom Solutions Segment

- **Revenue** from CIBER Custom Solutions totaled \$132.1 million for the quarter, an increase of 3.6% compared to \$127.6 million reported in the June 2002 quarter, and relatively flat sequentially compared to the \$132.0 million reported in the March 2003 quarter. For the six months, revenue totaled \$264.1 million, compared to \$235.2 million for the first six months of 2002, an increase of 12%.



- **Gross profit** as a percentage of services revenue increased 78 basis points to 27.5% in the second quarter of 2003 compared to 26.7% in first quarter of 2003. Lower salary and payroll tax expense as a percentage of sales accounted for most of the improvement. For the six months ended June 30, 2003 compared to the same period in 2002, gross profit as a percentage of service revenue declined by roughly 80 basis points to 27.1% in 2003 compared to 27.91% in 2002. Our acquisition of Decision Consultants in May of 2002, which had a lower gross profit % influenced all six months of 2003 and only two months of 2002.
- **Operating Income** totaled \$13.3 million for the quarter, an increase of 8.1% compared to the \$12.3 million reported in the second quarter of 2002, and an increase of 9.0% compared to the \$12.2 million in the first quarter of 2003. The higher Operating Income was due primarily to lower SG&A costs. For the six months, operating income totaled \$25.2 million, compared to \$19.5 million for the first six months of 2002, an increase of 29%. This increase is due to the fact that revenue and gross profit grew by 12% and 9% respectively, while selling, general and administrative costs (SG&A) actually decreased by 1%.
- **Billable Headcount** was up 15 billable employees sequentially. Year over year billable headcount decreased 2% from 4,200.
- **Average Billing Rate** per hour for the second quarter was \$64.83 compared to \$66.09 in the first quarter of 2003. The average billing rate for the first quarter of 2002 was \$66.77. The sequential decrease is due to rate pressure at certain of the company's large staffing clients, offset by slightly higher rates on project-based work. The year over year decrease is the result of lower billing rates associated with the DCI acquisition.
- **Utilization** for the second quarter of 2003 was 93.9%, which is higher than the 92.6% reported for the second quarter of 2002 and slightly lower than the 94.6% utilization realized in the first quarter of 2003. The sequential decrease is due to more PTO time being taken in the second quarter of 2003 compared to the first. The year over year increase is mainly due to tighter bench control.

CIBER Package Solutions Segment

- **Revenue** from CIBER Package Solutions totaled \$25.2 million for the quarter, a 10.7% sequential increase compared to \$22.8 million reported in the March quarter of 2003. Improved utilization and strong product sales accounted for the sequential revenue increase. Year over year revenue was up 8.6% from the \$23.2 million reported in the second quarter of 2002. Improvements in rates and utilization were offset by tighter headcount. For the six months, revenue totaled \$47.9 million, compared to \$45.9 million for the first six months of 2002, an increase of 4%. Again, the increase was due to better billing rates, and more importantly improved utilization which increased to 77.2% in 2003 compared to 61.4% for the first six months of 2002.
- **Gross profit** as a percentage of service revenue increased 410 basis points for the first quarter 2003 compared to the same quarter of the prior year. This increase was due to a significant improvement in utilization, which improved to 78.6% in the second quarter of 2003 from 63.8% for the second quarter of 2002. Sequentially gross profit as a % of



service revenue was down 146 basis points as billing rates fell slightly and as non-payroll direct costs increased as a percentage of sales.

- **Operating Income** totaled \$3.1 million for the quarter, compared to \$1.8 million reported in the first quarter of this year. This increase was due to the fact that SG&A costs remained flat while gross profit dollars increased 15%. The increase in gross profit came entirely from improved product revenue sales within DigiTerra. Operating income for the second quarter and six months ended June 30, 2003 also compare favorably to the operating results of the same periods in 2002, when the package segment reported a loss of \$166 thousand and income of \$44 thousand, respectively. More revenue and gross profit on less SG&A accounted for the drastic improvement. Operating income as a percentage of sales increased to 12.2% from a loss of (.7%) for the quarter and improved to 10.2% from .1% for the comparable six- month period.
- **Billable Headcount on a sequential basis** decreased slightly from 430 to 420. Year over year billable headcount dropped from 460 as headcount was reduced to reflect current demand.
- **Utilization** for the quarter was 78.6%, which is higher than the 75.8% reported for the March 2003 quarter. This is due mostly to continued improvement in project management. As mentioned previously, year over year utilization improved dramatically from 63.8% reported in the second quarter of 2002 as significant steps were taken to bring the bench in line with current demand.
- **Average Billing Rate** per hour for the quarter was down slightly at \$147.25 compared to the first quarter 2003 at \$149.42. Rates are starting to show some pullback as the market continues to be tough. Rates are up year over year when compared to the Q2 2002 average billing rate of \$145.2.

CIBER European Operations

The CIBER European Operations segment was formed in the first quarter of 2003 as a result of CIBER closing the acquisition of ECSoft at the end of January 2003. In addition to the operations of the former ECSoft, the CIBER European Operations segment also includes the all of CIBER's former European operations, primarily CIBER Solution Partners. The CIBER European Operations segment goes to market under the name CIBER Europe.

- **Revenue** from CIBER Europe totaled \$20.3 million for the quarter, a 31.1% sequential increase compared to \$15.4 million reported in the March quarter of 2003. Year over year revenue was also up. Revenue for the second quarter of 2002 totaled \$5.0 million. Both increases were due to the closing of the ECSoft acquisition at the end of January 2003.
- **Gross profit** as a percentage of service revenue decreased to 34.1% for the June quarter 2003 from 41.3% for the same period in the prior year due to the addition of ECsoft, which has lower margins than our historical European operations. Sequentially gross profit increased from 28.8%. This was due to cost reductions that were initiated in the first quarter of 2003 for which the benefit was realized in the second quarter of 2003.



- **Operating Income** totaled \$947 thousand for the quarter, compared to a loss of \$544 thousand reported in the first quarter of 2003. This improvement was due to lower SG&A costs as a percentage of revenue and a higher gross profit. SG&A in Q1 of 2003 included \$1.345 million associated with the closing of the CIBER Oxford, England office that became redundant as a result of our acquisition of ECSOft. Compared to the second quarter of 2002 operating income increased by 44% from the \$657 reported in that quarter.
- **Billable Headcount** decreased sequentially as headcount was reduced to reflect current demand. Year over year headcount increased due to the ECSOft acquisition.
- **Utilization for the second quarter of 2003** was 72.4%, up slightly from 72.1% in first quarter of 2003 and down from 76.6% reported in the second quarter of 2002. While ECSOft has lower billing rates, they have about the same utilization as Solution Partners.
- **Average Billing Rate** per hour for the quarter was down slightly to \$101.53 compared to the first quarter 2003 of \$101.82. Year over year rates were down, based on the second quarter 2002 average billing rate of \$107.73.



FORWARD LOOKING STATEMENT

Except for the historical information and discussions contained herein, statements contained in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed in the company's filings with the Securities and Exchange Commission. CIBER and the CIBER logo are trademarks or registered trademarks of CIBER, Inc.