



Fourth Quarter & Year End  
Financial Report

December 31, 2002



## **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 60 branch offices across the United States, Canada and Europe. At December 31, 2002, we had approximately 5,400 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](http://www.ciber.com). CIBER is traded on the New York Stock Exchange with the market symbol: CBR.

CIBER currently has two reportable segments, Custom Solutions and Package Solutions. The Custom Solutions segment primarily includes our CIBER custom branch offices and our CIBER Solution Partners European operations. Our Package Solutions segment is comprised of our CIBER Enterprise Solutions Division and our subsidiary DigiTerra, Inc.

### **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 69% of our operations are directed at commercial clientele, 31% 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.

Our Custom Solutions reporting segment also includes our CIBER Solution Partners European operations, which are based in Eindhoven, the Netherlands. In 2001 we opened new offices in Germany and Hungary. Solution Partners provides custom-based solutions on various software platforms as well as SAP and Microsoft implementation consulting and other e-business solutions.

### **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 Intermecc.

IBER, Inc.  
 Operating Results Analysis  
 Quarter & Twelve Months Ended December 31, 2002

*Dollars in thousands, except for Billing Rate*

	Sequential Quarters				Quarter over Quarter				Year over Year			
	Q3 '02		Q4 '02		Q4 '01		Q4 '02		12 Mos. 12/31/01		12 Mos. 12/31/02	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Company Total</b>												
Consulting Services	\$ 152,839	95.93	\$ 153,620	96.37	\$ 136,153	93.87	\$ 153,620	96.37	\$ 526,615	94.23	\$ 582,864	95.82
Other Revenue	6,486	4.07	5,783	3.63	8,898	6.13	5,783	3.63	32,260	5.77	25,454	4.18
<b>Total Revenue</b>	<b>159,325</b>	<b>100.00</b>	<b>159,403</b>	<b>100.00</b>	<b>145,051</b>	<b>100.00</b>	<b>159,403</b>	<b>100.00</b>	<b>558,875</b>	<b>100.00</b>	<b>608,318</b>	<b>100.00</b>
Gross Profit-Services	43,867	28.70	43,215	28.13	39,340	28.89	43,215	28.13	157,529	29.91	166,206	28.52
Gross Profit-Other	2,049	31.60	1,607	27.79	3,163	35.55	1,607	27.79	9,217	28.57	8,128	31.93
<b>Total Gross Profit</b>	<b>45,916</b>	<b>28.82</b>	<b>44,822</b>	<b>28.12</b>	<b>42,503</b>	<b>29.30</b>	<b>44,822</b>	<b>28.12</b>	<b>166,746</b>	<b>29.84</b>	<b>174,334</b>	<b>28.66</b>
Selling, General & Administrative Expenses	37,414	23.48	36,618	22.97	35,809	24.69	36,618	22.97	148,944	26.65	148,902	24.48
Other Charges	-	0.00	-	0.00	2,645	1.82	-	0.00	3,051	0.55	-	0.00
Operating Income before amortization expense	8,502	5.34	8,204	5.15	4,048	2.79	8,204	5.15	14,751	2.64	25,432	4.18
Amortization Expense	319	0.20	391	0.25	3,029	2.09	391	0.25	12,155	2.17	910	0.15
Other Income (Expense)	(677)	(0.43)	427	0.27	(348)	(0.24)	427	0.27	261	0.05	(738)	(0.12)
Income Before Taxes	7,506	4.71	8,241	5.17	671	0.46	8,241	5.17	2,857	0.51	23,785	3.91
Provision for Income Taxes	3,102	1.95	3,290	2.06	336	0.23	3,290	2.06	1,173	0.21	9,607	1.58
<b>Net Income</b>	<b>4,404</b>	<b>2.76</b>	<b>4,951</b>	<b>3.11</b>	<b>335</b>	<b>0.23</b>	<b>4,951</b>	<b>3.11</b>	<b>1,684</b>	<b>0.30</b>	<b>14,178</b>	<b>2.33</b>
<b>Performance Metrics</b>												
Ending Billable Headcount	4,783		4,748		4,030		4,748		4,030		4,748	
Overhead Employees	681		668		829		668		829		668	
Average Billing Rate	\$ 73.43		\$ 74.31		\$ 76.98		\$ 74.31		\$ 78.41		\$ 75.05	
Utilization	89.2%		87.3%		80.7%		87.3%		84.7%		88.2%	
Free Cash Flow (NI+Depr.&Amort.-Cap. Ex.)	\$ 6,947		\$ 7,215		\$ 4,329		\$ 7,215		\$ 17,318		\$ 22,893	
Capital Expenditures	\$ 855		\$ 730		\$ 1,443		\$ 730		\$ 5,962		\$ 2,879	
DSO's (Services)	75		69		75		69		75		69	
EBITDA %	7.3%		6.8%		6.3%		6.8%		4.9%		6.0%	
<b>Corporate/Intersegment Eliminations</b>												
Total Revenue	\$ (1,063)	(0.67)	\$ (817)	(0.51)	\$ (596)	(0.41)	\$ (817)	(0.51)	\$ (2,046)	(0.37)	\$ (3,328)	(0.55)
Total Gross Profit	(106)	(0.07)	(103)	(0.06)	(385)	(0.27)	(103)	(0.06)	(620)	(0.11)	(510)	(0.08)
Selling, General & Administrative Expenses	6,791	4.26	6,157	3.86	5,669	3.91	6,157	3.86	16,855	3.02	24,713	4.06
Other Charges	-	0.00	-	0.00	2,645	1.82	-	0.00	3,051	0.55	-	0.00
Operating Income before amortization expense	(6,897)	(4.33)	(6,260)	(3.93)	(8,699)	(6.00)	(6,260)	(3.93)	(20,528)	(3.67)	(25,223)	(4.15)
Amortization Expense	319	0.20	391	0.25	3,029	2.09	391	0.25	12,155	2.17	910	0.15
Other Income (Expense)	(677)	(0.43)	427	0.27	(348)	(0.24)	427	0.27	261	0.05	(738)	(0.12)
Income Before Taxes	(7,893)	(4.95)	(6,223)	(3.90)	(12,077)	(8.33)	(6,223)	(3.90)	(32,421)	(5.80)	(26,871)	(4.42)
<b>Custom Solutions Segment</b>												
Consulting Services	\$ 133,222	97.23	\$ 134,248	97.67	\$ 110,433	95.67	\$ 134,248	97.67	\$ 416,088	95.24	\$ 501,990	97.11
Other Revenue	3,798	2.77	3,202	2.33	4,993	4.33	3,202	2.33	20,794	4.76	14,916	2.89
<b>Total Revenue</b>	<b>137,020</b>	<b>100.00</b>	<b>137,450</b>	<b>100.00</b>	<b>115,426</b>	<b>100.00</b>	<b>137,450</b>	<b>100.00</b>	<b>436,882</b>	<b>100.00</b>	<b>516,906</b>	<b>100.00</b>
Gross Profit-Services	37,130	27.87	36,549	27.23	30,653	27.76	36,549	27.23	118,815	28.56	140,358	27.96
Gross Profit-Other	444	11.69	185	5.79	895	17.93	185	5.79	2,579	12.40	1,625	10.90
<b>Total Gross Profit</b>	<b>37,574</b>	<b>27.42</b>	<b>36,735</b>	<b>26.73</b>	<b>31,548</b>	<b>27.33</b>	<b>36,735</b>	<b>26.73</b>	<b>121,394</b>	<b>27.79</b>	<b>141,983</b>	<b>27.47</b>
Selling, General & Administrative Expenses	23,430	17.10	24,575	17.88	23,268	20.16	24,575	17.88	91,347	20.91	94,957	18.37
Operating Income	14,144	10.32	12,159	8.85	8,280	7.17	12,159	8.85	30,047	6.88	47,027	9.10
<b>Performance Metrics</b>												
Ending Billable Headcount	4,368		4,311		3,542		4,311		3,542		4,311	
Overhead Employees	458		434		584		434		584		434	
Average Billing Rate	\$ 66.72		\$ 67.83		\$ 68.83		\$ 67.83		\$ 67.97		\$ 67.35	
Utilization	91.2%		88.9%		85.3%		88.9%		88.3%		90.8%	
<b>Package Solutions Segment</b>												
Consulting Services	\$ 20,681	88.50	\$ 20,190	88.67	\$ 26,316	87.08	\$ 20,190	88.67	\$ 112,573	90.76	\$ 84,203	88.88
Other Revenue	2,687	11.50	2,580	11.33	3,905	12.92	2,580	11.33	11,466	9.24	10,537	11.12
<b>Total Revenue</b>	<b>23,368</b>	<b>100.00</b>	<b>22,770</b>	<b>100.00</b>	<b>30,221</b>	<b>100.00</b>	<b>22,770</b>	<b>100.00</b>	<b>124,039</b>	<b>100.00</b>	<b>94,739</b>	<b>100.00</b>
Gross Profit-Services	6,843	33.09	6,768	33.52	9,072	34.47	6,768	33.52	39,334	34.94	26,361	31.31
Gross Profit-Other	1,603	59.67	1,424	55.19	2,267	58.05	1,424	55.19	6,638	57.89	6,501	61.70
<b>Total Gross Profit</b>	<b>8,446</b>	<b>36.15</b>	<b>8,192</b>	<b>35.98</b>	<b>11,339</b>	<b>37.52</b>	<b>8,192</b>	<b>35.98</b>	<b>45,972</b>	<b>37.06</b>	<b>32,862</b>	<b>34.69</b>
Selling, General & Administrative Expenses	7,192	30.78	5,887	25.85	6,871	22.74	5,887	25.85	40,742	32.85	29,232	30.86
Operating Income	1,255	5.37	2,305	10.12	4,468	14.78	2,305	10.12	5,230	4.22	3,630	3.83
<b>Performance Metrics</b>												
Ending Headcount	415		437		488		437		488		437	
Overhead Employees	85		79		125		79		125		79	
Average Billing Rate	\$ 147.59		\$ 148.13		\$ 151.76		\$ 148.13		\$ 153.03		\$ 147.55	
Utilization	66.8%		68.6%		62.4%		68.6%		66.0%		64.6%	



## Fourth Quarter Highlights

### Company Total

- **Revenue** for the quarter totaled \$159.4 million, an increase of 9.9% compared to \$145.1 million reported in the December 2001 quarter, and sequentially flat compared to the \$159.3 million reported in the September quarter. Strong financial performances by CIBER Solution Partners and CIBER's custom branch offices in October helped revenues grow in Q4, when revenues traditionally are sequentially down. For the twelve months, revenue totaled \$608.3 million, compared to \$558.9 million for the first twelve months of 2001. This revenue growth was attributed primarily to the acquisitions of Metamor and DCI.
- **Gross profit-services** as a percentage of sales for the quarter decreased by approximately 60 basis points compared to the third quarter due, in part, to lower utilization resulting from more holidays in the quarter, and also due to an increase to our IBNR reserve (Incurred But Not Reported- insurance claims). As with last quarter, excluding the impact of the holidays in both quarters, fourth quarter utilization actually improved compared to the third quarter. For the year, gross profit on service revenue was down 140 basis points. The majority of the drop was due to lower utilization early in the year within our Package Segment. Utilization in the package segment improved during the year from a low in Q1 of 59% to a high in Q4 of 69%. Gross profit-services for our Package Segment decreased by 363 basis points, but was up sequentially 40 basis points, showing improvement. Gross profit-services in our Custom Segment decreased by 60 basis points year over year and sequentially due to the integration of DCI, which had lower margins.
- **Selling, general and administrative expenses** as a percentage of sales decreased compared to the third quarter by 51 basis points and in dollars decreased by approximately \$800 thousand. Corporate SG&A decreased during the quarter by approximately \$650 thousand, an amount less than expected given the \$1.5 million cost of our sponsorship of the International Golf Tournament in the third quarter. The offset relates to higher payroll costs in the fourth quarter associated with separation costs and bonus accrual adjustments plus higher insurance costs in the fourth quarter. SG&A expense in our custom segment increased by approximately \$1.1 million in the fourth quarter compared to the third quarter. Most of the increase was due to year-end adjustments, including bad debt allowance. SG&A expense in our Package Segment decreased in the fourth by \$1.3 million due largely to continued cost cutting in payroll, plus a year-end depreciation expense adjustment. For the full year 2002, SG&A expense as a percentage of sales decreased to 24.5% from 26.7% in 2001 and was flat in terms of dollars year over year at approximately \$149 million. For the fourth quarter of 2002, SG&A expense as a percentage of sales was 23%, the lowest percentage since the third quarter of 1999.



- **Operating Income before amortization expense and other charges** totaled \$8.2 million for the quarter, a decrease of 3.5% compared to the \$8.5 million reported in the third quarter, and an increase of over 100% compared to \$4 million reported in the fourth quarter of 2001. The sequential decrease is due to lower gross profit on services resulting from more holidays in Q4 plus lower than expected gross profit dollars on services. Overall product sales in the quarter were sluggish, as companies continue to hold off infrastructure spending. For the year, Operating Income before amortization expense and other charges totaled \$25.4 million in 2002 compared to \$17.8 million in 2001, an increase of 43%.
- **Earnings per share** GAAP Earnings Per Share (EPS) for the quarter totaled \$.08, compared to \$.07 reported in the September quarter. For the full year, EPS totaled \$.22 in 2002 compared to \$.03 per share in 2001. As a result of our adoption of SFAS No. 142, which requires that, beginning in 2002, we no longer amortize goodwill expense. Accordingly, Cash Earnings Per Share provides a more comparable year over year earnings change, which for 2002 totaled \$.23 compared to \$.18 in 2001, an increase of 28%.

#### **CIBER Custom Solutions Segment**

- **Revenue** from CIBER Custom Solutions totaled \$137.5 million for the quarter, an increase of 19% compared to \$115.4 million reported in the December 2001 quarter, and flat sequentially compared to the \$137 million reported in the September quarter. For the twelve months ended 2002, revenue totaled \$516.9 million, compared to \$436.9 million for the twelve months of 2001, an increase of 18%. Incremental revenue from acquisitions closed in the fourth quarter of 2001 (Metamor) and in the first half of 2002 (Decision Consultants, Inc.) fueled the year over year increase.
- **Gross profit-services** as a percentage of services revenue remained relatively flat for the quarter at 27.2%, compared to 27.9% for the third quarter of 2002. For the full year Gross profit-services was lower by 60 basis points due to 7 months of slightly lower margin DCI in 2002 compared to no DCI in 2001.
- **Operating Income** totaled \$12.2 million for the quarter, a decrease of 14% compared to the \$14.1 million reported in the third quarter, due primarily to the increase in SG&A as analyzed above. Operating Income totaled \$47 million for 2002, an increase of 57% compared to the \$30 million reported in 2001. This dramatic improvement in operating income was a function of our ability to grow revenue and gross profit more quickly than SG&A expense. Revenue and gross profit grew 18.3%, and 17.0%, respectively, while SG&A expense grew much more slowly at 4.0%.
- **Billable Headcount** decreased by 1.3% during the quarter ending with 4,311 billable consultants, compared to 4,368 as of September 30<sup>th</sup>. This moderate decrease was the result of projects ending at year-end. For the full year headcount growth was 21.7% or 769 billable professionals. This increase can all be attributed to our DCI acquisition.

- **Average Billing Rate** per hour for the quarter was \$67.83 compared to \$66.72 in the third quarter. For the full year average billing rates fell from \$67.97 in 2001 to \$67.35 in 2002. This decrease is from slightly lower billing rates associated with the DCI acquisition, offset by rate increases resulting from our continued shift from staffing to solutions work.
- **Utilization** for the quarter was 88.9%, which is lower than the 91.2% reported for the September quarter, however, excluding the holiday weeks in both quarters, utilization actually improved by 1%. Full year 2002 utilization was 90.8%, compared to 2001 utilization of 88.3%.

### **CIBER Package Solutions Segment**

- **Revenue** from CIBER Package Solutions totaled \$22.8 million for the quarter, a 2.6% sequential decrease compared to \$23.4 million reported in the September quarter. For the full year 2002 revenues were \$94.7 million, a decrease of 24% compared to \$124 million in 2001.
- **Gross profit-services** as a percentage of service revenue increased for the quarter by approximately 40 basis points to 33.5%, compared to 33.09% for the third quarter of 2002. Higher utilization resulted from better bench and project management. For the full year Gross profit-services was down from 34.9% in 2001 to 31.5% in 2002. But as we previously stated, we saw this trend reversed in Q4 of 2002.
- **Operating Income** totaled \$2.3 million for the quarter, compared to \$1.3 million reported in the third quarter. Better rates, utilization and lower SG&A were the reasons for this improvement. Comparing the twelve months of 2002 to the same period in 2001, operating income declined by approximately \$1.5 million, however, as a percentage of total revenue only declined by 40 basis points.
- **Billable Headcount** increased by nearly 5% during the quarter ending with 437 billable consultants, compared to 415 as of September 30<sup>th</sup>. For the full year headcount was down 51 billable professionals.
- **Utilization** for the quarter was 68.6%, which is higher than the 66.8% reported for the September quarter. This is significant considering Q4 has more holidays than Q3. For the year utilization was 64.6% in 2002 compared to 66% in 2001. Again, we saw this downward trend reversed in Q4.
- **Average Billing Rate** per hour for the quarter was flat compared to the third quarter at \$148. Rates continue to see stabilization in the fourth quarter. Year over year the average billing rates were down. 2001 saw billing rates of \$153, while 2002 had \$148.



## **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.