CIBER INC
Form 10-Q
August 07, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-13103

Ciber, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**38-2046833**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6363 South Fiddler s Green Circle, Suite 1400, Greenwood Village, Colorado	**80111**
(Address of Principal Executive Offices)	(Zip Code)

(303) 220-0100

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

There were 73,129,965 shares of the registrant s Common Stock outstanding as of June 30, 2012.

Table of Contents

Table of Contents

		Page
Part I	**FINANCIAL INFORMATION**	
Item 1.	Financial Statements (unaudited):	
	Consolidated Statements of Operations Three and Six Months Ended June 30, 2012 and 2011	3
	Consolidated Statements of Comprehensive Income (Loss) Three and Six Months Ended June 30, 2012 and 2011	4
	Consolidated Balance Sheets June 30, 2012 and December 31, 2011	5
	Consolidated Statement of Changes in Equity Six Months Ended June 30, 2012	6
	Consolidated Statements of Cash Flows Six Months Ended June 30, 2012 and 2011	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	30
Item 4.	Controls and Procedures	30
Part II	**OTHER INFORMATION**	
Item 1.	Legal Proceedings	30
Item 1A.	Risk Factors	31
Item 4.	Mine Safety Disclosures	40
Item 6.	Exhibits	41
Signatures		42

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
REVENUES				
Consulting services	$ 223,942	$ 228,614	$ 452,063	$ 472,171
Other revenue	13,057	12,373	25,954	23,729
Total revenues	236,999	240,987	478,017	495,900
OPERATING EXPENSES				
Cost of consulting services	168,379	184,705	342,252	367,368
Cost of other revenue	8,264	6,704	16,856	13,187
Selling, general and administrative	55,471	60,083	106,821	118,624
Goodwill impairment		16,300		16,300
Amortization of intangible assets	161	682	325	1,314
Total operating expenses	232,275	268,474	466,254	516,793
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	4,724	(27,487)	11,763	(20,893)
Interest income	226	148	423	204
Interest expense	(2,238)	(1,875)	(4,067)	(3,367)
Other income (expense), net	695	(2,689)	114	(3,474)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,407	(31,903)	8,233	(27,530)
Income tax expense	3,139	27,070	7,125	28,147
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	268	(58,973)	1,108	(55,677)
Income (loss) from discontinued operations, net of income tax	(143)	708	220	1,608
CONSOLIDATED NET INCOME (LOSS)	125	(58,265)	1,328	(54,069)
Net income attributable to noncontrolling interests	206	108	266	181
NET INCOME (LOSS) ATTRIBUTABLE TO CIBER, INC.	$ (81)	$ (58,373)	$ 1,062	$ (54,250)
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.:				
Continuing operations	$	$ (0.82)	$ 0.01	$ (0.78)
Discontinued operations		0.01		0.02
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.	$	$ (0.81)	$ 0.01	$ (0.76)
Weighted average shares outstanding:				
Basic	73,013	71,695	72,874	71,316
Diluted	73,504	71,695	73,423	71,316

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Consolidated net income (loss)	$ 125	$ (58,265)	$ 1,328	$ (54,069)
Gain on hedging activity, net of tax		34		89
Foreign currency translation adjustments	(11,193)	2,890	(3,405)	14,439
Comprehensive loss	(11,068)	(55,341)	(2,077)	(39,541)
Comprehensive income attributable to noncontrolling interests	206	108	266	186
Comprehensive loss attributable to Ciber, Inc.	$ (11,274)	$ (55,449)	$ (2,343)	$ (39,727)

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except per share amounts)

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,073	$ 65,567
Accounts receivable, net of allowances of $1,199 and $1,422, respectively	209,505	182,359
Prepaid expenses and other current assets	27,036	25,700
Deferred income taxes	2,296	3,302
Current assets of discontinued operations		20,382
Total current assets	267,910	297,310
Property and equipment, net of accumulated depreciation of $70,328 and $64,929, respectively	22,934	26,845
Goodwill	273,584	275,504
Other intangible assets, net	316	649
Other assets	9,486	6,900
Long-term assets of discontinued operations		17,862
TOTAL ASSETS	$ 574,230	$ 625,070
LIABILITIES AND EQUITY		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 3,867	$ 25,571
Accounts payable	28,921	35,112
Accrued compensation and related liabilities	58,926	60,124
Deferred revenue	19,364	22,308
Income taxes payable	7,718	8,613
Other accrued expenses and liabilities	43,114	45,454
Current liabilities of discontinued operations		7,310
Total current liabilities	161,910	204,492
Long-term debt	32,468	41,380
Deferred income taxes	20,092	15,462
Other long-term liabilities	1,031	6,729
Total liabilities	215,501	268,063
Commitments and contingencies		
Equity:		
Ciber, Inc. shareholders equity:		
Preferred stock, $0.01 par value, 1,000 shares authorized, no shares issued		
Common stock, $0.01 par value, 100,000 shares authorized, 74,487 shares issued	745	745
Treasury stock, at cost, 1,357 and 1,919 shares, respectively	(7,778)	(10,998)
Additional paid-in capital	333,018	330,088

Retained earnings		43,048		44,337
Accumulated other comprehensive loss		(10,411)		(7,006)
Total Ciber, Inc. shareholders equity		358,622		357,166
Noncontrolling interests		107		(159)
Total equity		358,729		357,007
TOTAL LIABILITIES AND EQUITY	$	574,230	$	625,070

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity

(In thousands)

(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Noncontrolling	
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Total Equity
BALANCES AT JANUARY 1, 2012	74,487	$ 745	(1,919)	$ (10,998)	$ 330,088	$ 44,337	$ (7,006)	$ (159)	$ 357,007
Consolidated net income						1,062		266	1,328
Foreign currency translation							(3,405)		(3,405)
Treasury shares issued under employee share plans			562	3,220		(2,351)			869
Share-based compensation					2,930				2,930
BALANCES AT JUNE 30, 2012	74,487	$ 745	(1,357)	$ (7,778)	$ 333,018	$ 43,048	$ (10,411)	$ 107	$ 358,729

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	$ 1,328	$ (54,069)
Adjustments to reconcile consolidated net income (loss) to net cash used in operating activities:		
Income from discontinued operations	(220)	(1,608)
Goodwill impairment		16,300
Depreciation	6,359	5,759
Amortization of intangible assets	325	1,314
Deferred income tax expense	2,606	24,277
Provision for (recovery on) doubtful receivables	(282)	645
Share-based compensation expense	2,930	2,120
Change in value of contingent consideration	318	3,647
Amortization of debt costs	2,100	699
Other, net	211	212
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(28,912)	5,652
Other current and long-term assets	1,939	(984)
Accounts payable	(6,280)	(14,513)
Accrued compensation and related liabilities	(270)	(8,928)
Other current and long-term liabilities	(10,396)	(1,979)
Income taxes payable/refundable	(1,204)	726
Cash used in operating activities continuing operations	(29,448)	(20,730)
Cash used in operating activities discontinued operations	(2,301)	(708)
Cash used in operating activities	(31,749)	(21,438)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions, net of cash acquired		(895)
Purchases of property and equipment, net	(2,918)	(5,676)
Cash used in investing activities continuing operations	(2,918)	(6,571)
Cash provided by (used in) investing activities discontinued operations	31,461	(36)
Cash provided by (used in) investing activities	28,543	(6,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on long-term debt	194,402	198,897
Payments on long-term debt	(225,019)	(190,912)
Employee stock purchases and options exercised	869	6,321
Credit facility fees paid	(3,326)	(190)
Cash provided by (used in) financing activities continuing operations	(33,074)	14,116
Effect of foreign exchange rate changes on cash and cash equivalents	(214)	6,389
Net decrease in cash and cash equivalents	(36,494)	(7,540)
Cash and cash equivalents, beginning of period	65,567	69,329
Cash and cash equivalents, end of period	$ 29,073	$ 61,789

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(1) Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Ciber, Inc. and its subsidiaries (together, Ciber, the Company, we, our or us) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. These consolidated financial statements should therefore be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2011, included in our Annual Report on Form 10-K filed with the SEC. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP and include all adjustments of a normal, recurring nature that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the interim periods presented. The results of operations for an interim period are not necessarily indicative of the results of operations for a full fiscal year.

Recently Adopted Accounting Pronouncements In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income (ASU 2011-05), which amends the disclosure requirements for the presentation of comprehensive income. This guidance, effective retrospectively for interim and annual periods beginning on or after December 15, 2011, requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income, or when an item of other comprehensive income must be reclassified to net income. We have included a Consolidated Statement of Comprehensive Income in our financial statements. Other than the change in presentation, the adoption of this accounting guidance had no impact on our consolidated financial statements.

(2) Discontinued Operations

On March 9, 2012, we sold substantially all of the assets and certain liabilities of our Federal division to CRGT Inc. for an aggregate sales price of $40 million, subject to adjustment based on the final determination of the working capital of the Federal division at the time of closing. Based upon our estimates of related working capital, we estimate the total cash proceeds will be approximately $39 million, subject to the resolution of CRGT s proposed working capital adjustments discussed below. We received net cash of approximately $35 million from the buyer after adjustment for working capital changes in March 2012. We recorded a preliminary gain on sale of $0.9 million during the first quarter of 2012, which was net of transaction costs of $3.8 million and estimated lease exit costs of $1.6 million related to certain Federal division office space we vacated. CRGT has proposed certain working capital adjustments to reduce the purchase price by approximately $6 million. We disagree with such adjustments, and have invoked the dispute resolution mechanism under the sale agreement. At this time, we cannot estimate the outcome of this dispute. We expect to resolve this dispute during the second half of 2012. We will record the impact of any adjustments on the determination of the gain on sale when such amount, if any, is probable and estimable.

The following table summarizes the operating results of the discontinued operations included in the Consolidated Statements of Operations.

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Total revenues	$	$ 26,855	$ 17,644	$ 54,392
Operating expenses	143	25,903	18,054	52,293
Operating income (loss) from discontinued operations	(143)	952	(410)	2,099
Interest and other expense		119	90	241
Income (loss) from discontinued operations before income taxes	(143)	833	(500)	1,858
Income tax expense		125		250
Income (loss) from discontinued operations, net of taxes	(143)	708	(500)	1,608
Gain on sale			920	
Income tax expense			200	
Gain on sale, net of income taxes			720	
Total income (loss) from discontinued operations, net of income taxes	$ (143)	$ 708	$ 220	$ 1,608

Effective with the sale on March 9, 2012, the operations and cash flows of the Federal division were removed from our company. However, we have retained certain historical accounts receivable as well as certain liabilities, and accordingly, adjustments to such items may be recorded through our results of operations in future periods. In addition, we expect to incur post-sale general and administrative costs in connection with our former Federal business.

(3) Earnings (Loss) Per Share

Our computation of earnings (loss) per share basic and diluted is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Numerator:				
Net income (loss) from continuing operations	$ 268	$ (58,973)	$ 1,108	$ (55,677)
Net income attributable to noncontrolling interests	206	108	266	181
Net income (loss) attributable to Ciber, Inc. from continuing operations	62	(59,081)	842	(55,858)
Income (loss) from discontinued operations, net of income tax	(143)	708	220	1,608
Net income (loss) attributable to Ciber, Inc.	$ (81)	$ (58,373)	$ 1,062	$ (54,250)
Denominator:				
Basic weighted average shares outstanding	73,013	71,695	72,874	71,316
Dilutive effect of employee stock plans	491		549	
Diluted weighted average shares outstanding	73,504	71,695	73,423	71,316
Basic and diluted earnings (loss) per share attributable to Ciber, Inc.:				
Continuing operations	$	$ (0.82)	$ 0.01	$ (0.78)
Discontinued operations		0.01		0.02

Basic and diluted earnings (loss) per share attributable to Ciber, Inc.	$	$ (0.81)	$ 0.01	$ (0.76)
Anti-dilutive securities omitted from the calculation	8,694	8,167	8,274	7,480

Dilutive securities, including stock options and restricted stock units, are excluded from the diluted weighted average shares outstanding computation in periods in which they have an anti-dilutive effect, such as when we report a net loss or when stock options have an exercise price that is greater than the average market price of Ciber common stock during the period.

Table of Contents

(4) Goodwill

We perform our annual impairment analysis of goodwill as of June 30 each year or more often if there are indicators of impairment present. We test each of our reporting units for goodwill impairment. Our reporting units are the same as our operating divisions and reporting segments. The goodwill impairment test requires a two-step process. The first step consists of comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, then it is not considered impaired and no further analysis is required. If step one indicates that the estimated fair value of a reporting unit is less than its carrying value, then impairment potentially exists and the second step is performed to measure the amount of goodwill impairment. Goodwill impairment exists when the estimated implied fair value of a reporting unit s goodwill is less than its carrying value.

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2012. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 5%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit s estimated weighted average cost of capital, which were 11.5% and 13.5% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/revenue multiples of 0.6 and 0.4, respectively, and enterprise value/EBITDA multiples of approximately 7 and 5, respectively, in order to value each of our reporting units under the market approach. In addition, the fair value under the market approach included a control premium of 33%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

As a result of the first step of our goodwill impairment test as of June 30, 2012, we estimated that the fair values for our International and North America reporting units exceeded their carrying amounts by 70% and 12%, respectively, thus no impairment was indicated. We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

As a result of the changes to our reportable segments effective January 1, 2012, $9.8 million of the goodwill previously attributable to our former IT Outsourcing division was allocated to our remaining divisions as follows: $1.8 million to International and $8.0 million to North America. The changes in the carrying amount of goodwill during the six months ended June 30, 2012, were as follows:

	International	North America (In thousands)	Total
Balance at January 1, 2012	$ 139,723	$ 135,781	$ 275,504
Effect of foreign exchange rate changes	(1,920)		(1,920)
Balance at June 30, 2012	$ 137,803	$ 135,781	$ 273,584

Table of Contents

(5) Borrowings

On May 7, 2012, we entered into a Credit Agreement (the Credit Agreement) among Ciber, as United States (U.S.) borrower, certain of our United Kingdom and Dutch subsidiaries (the U.K. Dutch Borrowers), certain of our German subsidiaries (the German Borrowers), Wells Fargo Bank, N.A., as administrative agent (Wells Fargo), and the other lenders from time to time party thereto. The Credit Agreement replaced our previous credit agreement and refinanced all amounts outstanding thereunder.

The Credit Agreement provides for (1) an asset-based revolving line of credit of up to $60 million (the ABL Facility), with the amount available for borrowing at any time under such line of credit determined according to a borrowing base valuation of eligible account receivables, and (2) a $7.5 million term loan to Ciber (the Term Loan). The total available borrowing base on June 30, 2012, was $56 million. The ABL Facility matures on May 7, 2017, and the Term Loan matures on November 7, 2013. The Term Loan amortizes in monthly principal payments of approximately $0.4 million starting on October 31, 2012, with the balance due at maturity of the Term Loan. As of June 30, 2012, we had $28.7 million outstanding under the ABL Facility and $7.5 million outstanding under the Term Loan.

The ABL Facility contains sub-facilities for (i) a revolving line of credit in favor of the U.K. Dutch Borrowers providing for borrowings in Euros or Great Britain Pounds of up to the equivalent of $20 million (the U.K. Dutch Revolver), (ii) a revolving line of credit in favor of the German Borrowers providing for borrowings in Euros of up to the equivalent of $10 million (the German Revolver), (iii) letters of credit of up to $6.7 million, and (iv) shorter term swingline loans of up to $10 million. The ABL Facility may be increased from time to time by us upon the satisfaction of certain conditions, including obtaining additional lender commitments for such increase, by up to an aggregate of $25 million.

The obligations of Ciber under the Credit Agreement are guaranteed by our U.S. subsidiaries and secured by substantially all the assets of Ciber and such subsidiaries. The obligations of the U.K. Dutch Borrowers and the German Borrowers under the Credit Agreement are guaranteed by us and all our material U.S., Dutch and British subsidiaries, and secured by substantially all the assets of Ciber and such subsidiaries.

The Term Loan accrues interest at an annual rate of 12.0%. The ABL Facility accrues interest at a rate of the London interbank offered rate (LIBOR) plus a margin ranging from 225 to 275 basis points, or, at our option, a base rate equal to the greatest of (a) the Federal Funds Rate plus 0.50%, (b) LIBOR plus 1%, and (c) the prime rate set by Wells Fargo plus a margin ranging from 125 to 175 basis points. Borrowings under the U.K. Dutch Revolver and the German Revolver accrue interest at a rate of LIBOR plus a margin ranging from 225 to 275 basis points and certain fees related to compliance with European banks and regulators. The interest rates applicable to borrowings under the Credit Agreement are subject to increase during an event of default. We are also required to pay an unused line fee ranging from 0.375% to 0.50% annually on the unused portion of the ABL Facility. In the case of the ABL Facility, the applicable margin and unused line fee is determined according to the amount of unused borrowing capacity under the ABL Facility.

If we terminate the Credit Agreement within one year of the date of the Credit Agreement, we must pay a prepayment fee equal to 1% of the amount of the ABL Facility plus the amount outstanding under the Term Loan. Otherwise, loans under the Credit Agreement may be prepaid, in whole or in part, without premium or penalty. In addition, the Credit Agreement contains certain mandatory prepayment provisions. Subject to certain exceptions and conditions, we may be required to prepay the Term Loan with the net cash proceeds received from certain events, including, receipt of proceeds from a disposition of assets, a judgment or settlement, the issuance of indebtedness or the issuance of common stock or other equity interests. In addition, a mandatory prepayment of the Term Loan is required on an annual basis in an amount equal to 50% of any excess cash flow (as defined in the Credit Agreement) less the amount of any other prepayments made that year. The ABL Facility or any sub-facility must be prepaid to the extent that borrowings under such facility exceed the maximum availability under the ABL Facility or the applicable sub-facility.

The Credit Agreement includes a number of business covenants, including customary limitations on, among other things, indebtedness, liens, investments, guarantees, mergers, dispositions, acquisitions, liquidations, dissolutions, issuances of securities, payments of dividends, loans and advances, and transactions with affiliates.

The Credit Agreement also contains certain financial covenants, including: (i) a minimum trailing 12-month EBITDA, which starts at $39.2 million for April 2012, decreases over seven months to $27.6 million for November and December of 2012 and then increases over ten months to $41.4 million for October 2013; (ii) a minimum trailing 12-month fixed charge coverage ratio of 1.1 to 1.0; and (iii) a maximum trailing 12-month leverage ratio, which starts at 1.1 to 1.0 for April 2012, decreases over five months to 1.6 to 1.0 for September through November of 2012 and increases over 11 months to 1.0 to 1.0 for October 2013. We are required to be in compliance with the financial covenants at the end of each calendar month until the Term Loan is repaid in full. We are also required to be in compliance with the minimum fixed charge coverage ratio after the

Table of Contents

Term Loan is repaid in full if (i) an event of default has occurred and is continuing, (ii) less than 25% of the ABL Facility is available for borrowing, or (iii) less than $15 million is available for borrowing under the ABL Facility. We must then continue to comply with the minimum fixed charge coverage ratio until (1) no event of default is continuing and (2) at least 25% of the ABL Facility and a minimum of $15 million have been available for borrowing under the ABL Facility for 30 consecutive days. We were in compliance with the financial covenants under our Credit Agreement at June 30, 2012.

Wells Fargo will take dominion over our U.S. cash and cash receipts and will automatically apply such amounts to the ABL Facility on a daily basis if (i) an event of default has occurred and is continuing, (ii) less than 30% of the ABL Facility or less than $18 million is available for borrowing under the ABL Facility for five consecutive days, or (iii) less than 25% of the ABL Facility or less than $15 million is available for borrowing under the ABL Facility at any time. Wells Fargo will continue to exercise dominion over our U.S. cash and cash receipts until (1) no event of default is continuing and (2) at least 30% of the ABL Facility and a minimum of $18 million have been available for borrowing under the ABL Facility for 30 consecutive days. In addition, at all times during the term of the ABL Facility, Wells Fargo will have dominion over the cash of the U.K. Dutch Borrowers and the German Borrowers and will automatically apply such amounts to the ABL Facility on a daily basis. As a result, any borrowings that will be outstanding subject to the banks dominion, will be classified as a current liability on our balance sheet.

The Credit Agreement generally contains customary events of default for credit facilities of this type, including nonpayment, material inaccuracy of representations and warranties, violation of covenants, default of certain other agreements or indebtedness, bankruptcy, material judgments, invalidity of the Credit Agreement or related agreements, and a change of control. Upon an event of default that is not cured or waived within any applicable cure periods, in addition to other remedies that may be available to the lenders, the obligations under the Credit Agreement may be accelerated, outstanding letters of credit may be required to be cash collateralized and remedies may be exercised against the collateral.

In connection with the Credit Agreement, we capitalized debt issuance costs of approximately $3.5 million that will be amortized to interest expense over the terms of the borrowing arrangements.

The carrying value of the outstanding borrowings under our Credit Agreement approximate its fair value due to interest rates approximating current market rates as the underlying interest rates were recently set in May 2012. The inputs used to establish the fair value of the Credit Agreement are considered to be Level 2 instruments, which include inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

(6) Other Income (Expense)

Other income (expense), net consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Foreign exchange gains (losses), net	$ 625	$ (80)	$ 10	$ (258)
Change in fair value of acquisition-related contingent consideration		(2,602)		(3,222)

Other		70		(7)		104		6
Other income (expense), net	$	695	$	(2,689)	$	114	$	(3,474)

Table of Contents

(7) Income Taxes

Current period U.S. and foreign income (loss) before income taxes and income tax expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Income (loss) from continuing operations before income taxes:				
U.S.	$ (5,000)	$ (37,411)	$ (9,331)	$ (40,784)
Foreign	8,407	5,508	17,564	13,254
Total	$ 3,407	$ (31,903)	$ 8,233	$ (27,530)
Income tax expense:				
U.S.	$ 1,399	$ 25,815	$ 2,787	$ 25,222
Foreign	1,740	1,255	4,338	2,925
Total	$ 3,139	$ 27,070	$ 7,125	$ 28,147

Beginning in the second quarter of 2011, due to our history of losses in our U.S. operations, we no longer record tax benefits for our U.S. incurred losses. Irrespective of our income or loss levels, we continue to record U.S. deferred tax expense related to goodwill amortization, as well as certain other current tax expense items. During the three months ended June 30, 2011, we recorded a non-cash charge of $29.1 million to provide a valuation allowance for all of our domestic deferred tax assets as of April 1, 2011. Additionally, in the three months ended June 30, 2011, we had U.S. deferred tax expense of $1.5 million, and a deferred tax benefit of $4.4 million related to the non-cash goodwill impairment charge recognized during that period.

(8) Segment Information

Our reportable segments are our operating divisions. At the beginning of 2012, we combined the operations of our former IT Outsourcing division with our International and North America divisions and changed our reporting to our chief operating decision maker. Our International division provides a range of IT consulting services, including ERP software implementation, application development, and systems integration and support services, with a significant emphasis on SAP-related solutions and services. Our North America division primarily provides application development, integration and support, as well as software implementation services for ERP software from software vendors such as Oracle, SAP and Lawson. In 2012, we also began sharing the costs of our India global solutions center with both our International and North America divisions, whereas in previous years, our India operations had been reported as part of our North America division with services provided to our International division recorded as inter-segment revenues. All 2011 segment data has been adjusted to conform to the 2012 presentation.

Table of Contents

The following presents financial information about our reporting segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Revenues:				
International	$ 114,827	$ 126,938	$ 237,576	$ 248,198
North America	123,782	114,055	243,135	247,617
Other	736	772	1,507	1,630
Inter-segment	(2,346)	(778)	(4,201)	(1,545)
Total revenues	$ 236,999	$ 240,987	$ 478,017	$ 495,900
Operating income (loss) from continuing operations:				
International	$ 7,079	$ 7,217	$ 15,491	$ 14,493
North America	6,123	(10,558)	11,758	(3,095)
Other	80	73	130	225
Corporate expenses	(8,397)	(7,134)	(15,049)	(14,644)
Unallocated expenses of discontinued operations		(103)	(242)	(258)
Earnings (loss) before interest, taxes and amortization	4,885	(10,505)	12,088	(3,279)
Goodwill impairment		(16,300)		(16,300)
Amortization of intangible assets	(161)	(682)	(325)	(1,314)
Total operating income (loss) from continuing operations	$ 4,724	$ (27,487)	$ 11,763	$ (20,893)

(9) Contingencies

We are involved in legal proceedings, audits, claims and litigation arising in the ordinary course of business. Although the outcome of such matters is not predictable, we do not expect that the ultimate outcome of any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

Notwithstanding the foregoing, we are engaged in legal proceedings in Germany in connection with our acquisition of a controlling interest in Novasoft AG (now known as Ciber AG) in 2004. In August 2006, we completed a buy-out of the remaining minority shareholders of Novasoft; however, certain of those former minority shareholders challenged the adequacy of the buy-out consideration in a German court. The court appointed independent experts have evaluated the consideration and claims of the minority shareholders and on April 27, 2012, Ciber filed a brief on its positions with respect to the evaluation. At this time, we are unable to predict the outcome of these proceedings, although, if the court awards additional consideration, such consideration will increase the goodwill associated with the acquisition and we will be liable for that additional consideration, as well as the costs associated with these proceedings.

CamSoft, Inc., a Louisiana corporation, claims that it had a role in an alleged joint venture that developed a wireless network for video camera surveillance systems to be deployed to municipal governments. The lawsuit, CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment and conspiracy claims. The suit has many of the

same parties that were involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who are now co-defendants in the current lawsuit and CamSoft s former alleged joint venturers. Ciber is vigorously defending the allegations and has filed a comprehensive motion to dismiss all claims, state and federal. In July 2011, the Court granted Ciber s motion to dismiss Plaintiffs unfair trade practices, trade secret, fraud and unjust enrichment claims, but not the state law conspiracy claim. On April 30, 2012, the Court granted Ciber s motion to dismiss the Plaintiffs antitrust and civil RICO claims. Ciber is not certain at this point if the Plaintiffs will attempt to pursue the remaining state law claims in state court or a federal court appeal or what claims, if any, may survive in the future.

Table of Contents

On October 28, 2011, a putative securities class action lawsuit, Weston v. Ciber, Inc. et al., was filed in the United States District Court for the District of Colorado against Ciber, its current Chief Executive Officer David C. Peterschmidt, current Executive Vice President and Chief Financial Officer (CFO) Claude J. Pumilia and former CFO Peter H. Cheesbrough (the Class Action). The Class Action purports to have been filed on behalf of all holders of Ciber common stock between December 15, 2010 and August 3, 2011 by alleged stockholder and plaintiff, Burt Weston. The Class Action generally alleges that defendants Ciber, Mr. Peterschmidt, Mr. Pumilia and Mr. Cheesbrough (the Class Action Defendants) violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Securities and Exchange Commission (SEC) Rule 10b-5. Specifically, the complaint alleges that the Class Action Defendants disseminated or approved alleged false statements concerning the Company s outlook and forecast for fiscal year 2011 in: (1) the Company s 8-K filed with the SEC and press conference held with investors on December 15, 2010; (2) the Company s press release and earnings conference call on February 22, 2011; (3) the Company s 10-K for fiscal year 2010 filed with the SEC on February 25, 2011; and (4) the Company s press release, earnings conference call, and Form 10-Q for first quarter 2011 filed with the SEC on May 3, 2011. The complaint also generally alleges that the Class Action Defendants violated Section 20(a) of the Exchange Act. Specifically, the complaint alleges that the Class Action Defendants acted as controlling persons of Ciber within the meaning of Section 20(a) of the Exchange Act by reason of their positions with the Company. The Class Action seeks, among other things: (1) an order from the Court declaring the complaint to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure and certifying plaintiff as a representative of the purported class; (2) awarding plaintiff and the members of the class damages, including interest; (3) awarding plaintiff reasonable costs and attorneys fees; and (4) awarding such other relief as the Court may deem just and proper. The Court appointed Mr. Weston and City of Roseville Employees Retirement System as lead plaintiffs and the law firms of Robbins, Geller Rudman & Dowd LLP and Robbins Umeda LLP as lead plaintiffs counsel on January 31, 2012. Lead Plaintiffs filed an amended complaint in early April 2012. The Class Action Defendants have filed a motion to dismiss, which is currently pending. The Company believes that the Class Action is without merit and intends to defend against it vigorously. There can, however, be no assurance of the outcome of these actions.

On February 7, 2012, a purported verified shareholder derivative lawsuit, Seni v. Peterschmidt. et al., was filed in the United States District Court for the District of Colorado (the Derivative Action) against Messrs. Peterschmidt, Pumilia, and Cheesbrough, and Ciber s current board of directors: Messrs. Bobby G. Stevenson, Jean-Francois Heitz, Paul A. Jacobs, Stephen S. Kurtz, Kurt J. Lauk, Archibald J. McGill, and James C. Spira (Individual Defendants). Ciber is named as a nominal defendant (collectively, with the Individual Defendants, the Derivative Defendants). The Derivative Action is largely based on the same alleged facts as the Class Action. The complaint in the Derivative Action generally alleges that the Individual Defendants breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision by approving the issuance of allegedly false statements that misrepresented material information about the finances and operations of the Company. The Derivative Complaint also alleges that the Individual Defendants were unjustly enriched as a result of the compensation they received while breaching their fiduciary duties to the Company. The complaint seeks, among other things: (1) damages for losses sustained by the Company as a result of the Individual Defendants breaches; (2) various corporate therapeutics; (3) restitution for the Company from the Individual Defendants; (4) an award to plaintiff of reasonable costs and attorneys fees; and (5) such other relief as the Court may deem just and proper. On April 30, 2012, the Court granted Ciber s Motion to Stay Discovery and Vacate the Scheduling Conference and Related Deadlines. Ciber filed a motion to dismiss, which is pending. If that motion is denied, the Court will require a scheduling conference shortly after the ruling on the motion to dismiss.

(10) Subsequent Events

On July 28, 2012, we entered into an agreement to sell certain contracts and the related assets and to transfer the personnel associated with our information technology outsourcing practice to Savvis Communications Corporation (Savvis) for an initial purchase price of $7 million in cash. In addition, we are entitled to receive additional future consideration of up to $13 million, which is mainly dependent upon the post-closing success of the transferred customer contracts to be measured based on December 2013 results, with the final amount, if any, to be determined and paid during the first quarter of 2014. We cannot estimate the amount of the additional future consideration or its potential impact on our results of operations or financial position. We expect the transaction to close within 60-90 days of the agreement date, but the transaction is contingent on a number of closing conditions, including, among other things, obtaining numerous customer and other third-party consents. Under the agreement, we are also required to indemnify Savvis for certain losses, if any, incurred by them following the closing under the customer contracts being transferred. We estimate initial net cash proceeds from the sale, after transaction-related costs, to be in the range of $4-5 million. The carrying value of the tangible assets included in the transaction are approximately $10 million, and relate predominantly to

property and equipment. We also expect to allocate a portion of our goodwill to the assets being disposed. As a result, we expect to record a net loss on the sale of these assets of approximately $9-10 million. In connection with the sale, we will retain the net working capital assets of the information technology outsourcing practice. The annualized revenue related to the contracts to be sold under the agreement is approximately $60 million. We expect to account for these specific contracts and assets as a discontinued operation during the quarter ended September 30, 2012.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Unaudited Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and our Audited Consolidated Financial Statements and related Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011, and with the information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011. References to we, our, us, the Company or Ciber in this Quarterly Report on Form 10-Q refer to Ciber, Inc. and its subsidiaries.

We use the phrase in local currency to indicate that we are comparing certain financial results after removing the impact of foreign currency exchange rate fluctuations, thereby allowing for the comparison of business performance between periods. Financial results in local currency are calculated by restating current period activity into U.S. dollars using the comparable prior year period s foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our operations, results of operations and other matters that are based on our current expectations, estimates, forecasts and projections. Words, such as anticipate, believe, could, expect, estimate, intend, may, opportunity, plan, potential, project, similar expressions, are intended to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by our forward-looking statements include, but are not limited to:

- Our results of operations may be adversely affected if we are unable to execute on the key elements of our strategic plan.

- Our results of operations can be adversely affected by economic conditions and the impacts of economic conditions on our clients operations and technology spending.

- Termination of a contract by a significant client and/or cancellation with short notice could adversely affect our results of operations.

- The IT services industry, in the U.S. and internationally, is highly competitive, with increased focus on offshore capability and we may not be able to compete effectively.

- Our new Credit Agreement, an asset-based and term loan facility, limits our operational and financial flexibility; we also face the need to comply with covenants in our Credit Agreement.

- We may not complete the sale of certain contracts and the related assets of our information technology outsourcing practice, or complete the sale within the timeframe we anticipate, or on the terms currently negotiated.

- Possible post-closing adjustments to the purchase price on the sale of our former Federal division could reduce the purchase price and cause us to recognize a loss on that sale.

- We may experience declines in revenue and profitability if we do not accurately estimate the cost of engagements conducted on a fixed-price basis.

- Our business could be adversely affected if our clients are not satisfied with our services, and we could face damage to our professional reputation and/or legal liability.

- If we are not able to anticipate and keep pace with rapid changes in technology, our business will be negatively affected.

- Our international operations are susceptible to different financial and operational risks than our domestic operations.

- We intend to increase our presence in India, which may expose us to operational risks.

- Our revenues, operating results and profitability will vary from quarter to quarter, which may impact our ability to comply with our debt covenants, and may also result in increased volatility in the price of our stock.

- A data security or privacy breach could adversely affect our business.

- If we are unable to collect our receivables, our results of operations and cash flows could be adversely affected.

Table of Contents

- Our future success depends on our ability to continue to retain and attract qualified sales, delivery and technical employees.

- We could incur additional losses due to further impairment in the carrying value of our goodwill.

- We depend on contracts with various state and local government agencies for a significant portion of our revenue and, if the spending policies or budget priorities of these agencies change, we could lose revenue.

- Unfavorable government audits could require us to adjust previously reported operating results, to forego anticipated revenue and subject us to penalties and sanctions.

- Our services or solutions could infringe upon the intellectual property rights of others, or we might lose our ability to utilize rights we claim in intellectual property or the intellectual property of others.

- We have adopted anti-takeover defenses that could make it difficult for another company to acquire control of Ciber or limit the price investors might be willing to pay for our stock, thus affecting the market price of our securities.

For a more detailed discussion of these factors, see the information under the Risk Factors heading in this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the three months ended March 31, 2012, our Annual Report on Form 10-K for the year ended December 31, 2011, and other documents filed with or furnished to the Securities and Exchange Commission. We undertake no obligation to publicly update any forward-looking statements in light of new information or future events. Readers are cautioned not to put undue reliance on forward-looking statements.

Business Overview

Ciber is a provider of information technology (IT), business consulting and outsourcing services. We serve a variety of clients, including Global 2000 blue-chip companies, governmental agencies and educational institutions. We solve complex IT and business issues across growing industries like energy and utilities, telecommunications, retail, healthcare, financial services, entertainment and manufacturing. Our offerings are focused around a set of core competencies which include: Application Development and Management (ADM), Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Business Intelligence and Data Warehousing, Managed Services, Testing and Quality Assurance, Mobility Services and Digital Marketing. We combine local, on-site account management with a global delivery model to serve clients in an intimate manner while still utilizing the power and cost efficiencies of global resources. To a lesser extent, we also resell certain IT hardware and software products.

On March 9, 2012, we sold substantially all of the assets and certain liabilities of our Federal division to CRGT Inc. The Federal division is reported as a discontinued operation for all periods in this Quarterly Report on Form 10-Q. At the beginning of 2012, we combined the operations of our former IT Outsourcing division with our International and North America divisions and changed our reporting to our chief operating decision maker. Our International division provides a range of IT consulting services, including ERP software implementation, application development, and systems integration and support services, with a significant emphasis on SAP-related solutions and services. Our North America division primarily provides application development, integration and support, as well as software implementation services for ERP software from software vendors such as Oracle, SAP and Lawson. In 2012, we also began sharing the costs of our India global solutions center with both our International and North America divisions, whereas in previous years, our India operations had been reported as part of our North America division with services provided to our International division recorded as inter-segment revenues. All 2011 segment data has been adjusted to conform to the 2012 presentation.

Representing approximately half of our consolidated revenues, our International division operates primarily in Western Europe. These operations transact business in the local currencies of the countries in which they operate. In recent years, generally 60% to 70% of our International division s revenue has been denominated in Euros, 10% to 15% has been denominated in Great Britain Pounds (GBP) and the balance has come from a number of other European currencies. Changes in the exchange rates between these foreign currencies and the U.S. dollar affect the reported amounts of our assets, liabilities, revenues and expenses. For financial reporting purposes, the assets and liabilities of our foreign operations are translated into U.S. dollars at current exchange rates at period end and revenues and expenses are translated at average exchange rates for the period.

The market demand for Ciber s services is heavily dependent on IT spending by major corporations, organizations and government entities in the markets and regions that we serve. In the last three to four years, economic recession and volatile economic conditions have negatively impacted many of our existing and prospective clients and caused fluctuations in their IT spending behaviors. In 2011, economic conditions began to have a greater negative impact on clients in a number of our International division s territories. The pace of technological advancement, as well as changes in business requirements and practices of our clients all have a significant impact on the demand for the services that we provide.

Table of Contents

Our results of operations are affected by economic conditions, including macroeconomic conditions, credit market conditions and levels of business confidence. Revenue is driven by our ability to secure new contracts and deliver solutions and services that add value relevant to our clients current needs and challenges. In recent quarters and ongoing for the foreseeable future, we have been affected by significant efforts by our clients (both current and potential) to implement cost-savings initiatives. These initiatives have included going to third-party vendor management systems, taking their business to larger, pure-play offshore vendors and vendor consolidation. In some cases, these initiatives have benefited Ciber, but in others we have lost our revenue stream entirely or seen a decline in our level of revenues with particular clients. The pricing environment continues to be extremely competitive. A number of our competitors are structuring more offshore services into their bids, thereby lowering their pricing to help clients reduce costs, and making it more difficult for us to compete on pricing. We also have global delivery options to offer to our current and potential clients as possible cost savings, and we are expanding our offshore capabilities and increasing the usage of these resources; however, they are on a smaller scale than the offshore offerings of some of our competitors. Another issue which has had and continues to have an impact on our revenues and profitability involves a much longer sales cycle than we have seen historically, which has been driven by a much slower decision-making process in starting new projects in a variety of industries that we currently serve, or in which we are currently bidding for work. The longer sales cycle increases the cost of our sales efforts and pushes potential revenues and profitability further into the future. Some clients remain cautious, seeking flexibility by shifting to a more phased approach to contracting for work. Over the past year, we have tightened our standards governing the quality of engagements that we will accept with the goal of growing revenue, increasing margins, improving collectability of receivables and delivering sustained, predictable performance. However, there can be no assurances that we will be successful with such actions, and in certain cases, these actions may slow our revenue growth. Economic conditions and other factors continue to impact the business operations of some of our clients, their ability to continue to use our services and their financial ability to pay for our services in full. The impact of project cancellations cannot be accurately predicted and bad debt expense will differ from our estimates, and any such events may negatively impact our results of operations.

During the three months ended June 30, 2011, we recorded a $16.3 million non-cash goodwill impairment charge and a $29.1 million non-cash charge to provide a full valuation allowance on our U.S. deferred tax assets. During the same period, we also incurred $13.4 million of negative revenue adjustments in our North America division from significant changes in estimates related to costs or scope on five fixed-price contracts signed in 2009 or earlier.

On July 28, 2012, we entered into an agreement to sell certain contracts and the related assets and to transfer the personnel associated with our information technology outsourcing practice. This was an important step in continuing to narrow our services toward a more focused and high-value set of offerings. The infrastructure outsourcing business that we agreed to sell is capital intensive and not considered one of our core offerings. The sale will allow us to increase our level of investment in our core offerings. This portion of our IT outsourcing practice was expected to generate approximately $60 million of annualized revenue and was not expected to have a material impact on our profitability in 2012. We expect to record a net loss on the sale within discontinued operations of approximately $9-10 million. We will receive $7 million in cash for the initial purchase price, and there is a possibility to receive additional future consideration of up to $13 million, as determined by the post-closing success of the transferred customer contracts as measured based on December 2013 results. Additionally, we will retain the existing positive working capital from the outsourcing practice.

Discontinued Operations

On March 9, 2012, we sold substantially all of the assets and certain liabilities of our Federal division to CRGT Inc. for an aggregate sales price of $40 million, subject to adjustment based on the final determination of the working capital of the Federal division at the time of closing. Based upon our estimates of related working capital, we estimate the total cash proceeds will be approximately $39 million, subject to the resolution of CRGT s proposed working capital adjustments discussed below. We received net cash of approximately $35 million from the buyer after adjustment for working capital changes in March 2012. We recorded a preliminary gain on sale of $0.9 million during the first quarter of 2012, which was net of transaction costs of $3.8 million and estimated lease exit costs of $1.6 million related to certain Federal division office space we vacated. CRGT has proposed certain working capital adjustments to reduce the purchase price by approximately $6 million. We disagree with such adjustments, and have invoked the dispute resolution mechanism under the sale agreement. At this time, we cannot estimate the outcome of this dispute. We expect to resolve this dispute during the second half of 2012. We will record the impact of any adjustments on the

determination of the gain on sale when such amount, if any, is probable and estimable.

The following table summarizes the operating results of the discontinued operations included in the Consolidated Statements of Operations.

Table of Contents

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In thousands)			
Total revenues	$	$ 26,855	$ 17,644	$ 54,392
Operating expenses	143	25,903	18,054	52,293
Operating income (loss) from discontinued operations	(143)	952	(410)	2,099
Interest and other expense		119	90	241
Income (loss) from discontinued operations before income taxes	(143)	833	(500)	1,858
Income tax expense		125		250
Income (loss) from discontinued operations, net of taxes	(143)	708	(500)	1,608
Gain on sale			920	
Income tax expense			200	
Gain on sale, net of income taxes			720	
Total income (loss) from discontinued operations, net of income taxes	$ (143)	$ 708	$ 220	$ 1,608

Effective with the sale on March 9, 2012, the operations and cash flows of the Federal division were removed from our company. However, we have retained certain historical accounts receivable as well as certain liabilities, and accordingly, adjustments to such items may be recorded through our results of operations in future periods. In addition, we expect to incur post-sale general and administrative costs in connection with our former Federal business.

Results of Operations Comparison of the Three Months Ended June 30, 2012 and 2011

The following table sets forth certain Consolidated Statement of Operations data in dollars and expressed as a percentage of revenue:

	Three Months Ended June 30, 2012		2011	
	(Dollars in thousands)			
Consulting services	$ 223,942	94.5%	$ 228,614	94.9%
Other revenue	13,057	5.5	12,373	5.1
Total revenues	$ 236,999	100.0%	$ 240,987	100.0%
Gross profit - consulting services	$ 55,563	24.8%	$ 43,909	19.2%
Gross profit - other revenue	4,793	36.7	5,669	45.8
Gross profit - total	60,356	25.5	49,578	20.6
SG&A costs	55,471	23.4	60,083	24.9
Goodwill impairment			16,300	6.8
Amortization of intangible assets	161	0.1	682	0.3
Operating income (loss) from continuing operations	4,724	2.0	(27,487)	(11.4)
Interest income	226	0.1	148	0.1
Interest expense	(2,238)	(0.9)	(1,875)	(0.8)
Other income (expense), net	695	0.3	(2,689)	(1.1)

Income (loss) from continuing operations before income taxes		3,407	1.4		(31,903)	(13.2)
Income tax expense		3,139	1.3		27,070	11.2
Net income (loss) from continuing operations	$	268	0.1%	$	(58,973)	(24.5)%

Revenues. For the three months ended June 30, 2012, total revenues decreased $4.0 million, or 2% in U.S. dollars, but increased $7.9 million, or 3% in local currency as compared with the three months ended June 30, 2011. International division revenues declined primarily from the impact of unfavorable currency rates. Additionally, the softer European economy caused varying results by territory in the current period. North America revenues for the current period were improved as compared to

Table of Contents

the three months ended June 30, 2011, when we recorded $13.4 million of negative revenue adjustments on five fixed-price contracts. Excluding the impact of these negative revenue adjustments in the prior year period, North America current period revenues declined as sales of new projects and additional work from existing clients have not been sufficient to offset attrition.

Revenue by segment from continuing operations was as follows:

	Three Months Ended June 30, 2012	2011	% change
	(In thousands)		
International	$ 114,827	$ 126,938	(9.5)%
North America	123,782	114,055	8.5
Other	736	772	n/m
Inter-segment	(2,346)	(778)	n/m
Total revenues	$ 236,999	$ 240,987	(1.7)%

n/m = not meaningful

- International revenues decreased 10% overall and were nearly flat in local currency. The decline of the Euro during the current three month period as compared with the same period last year, was primarily responsible for the decrease. The softer European economy caused revenue results to vary considerably by territory. The U.K., Germany and Norway experienced strong revenue growth between the comparable periods due to continued strong demand for IT services and due to our success in these countries at providing certain technology-specific and/or vertical-specific services. Revenue declines elsewhere were predominately related to client-specific issues, which in certain cases were driven by economic concerns, and included several canceled, delayed or completed projects. The ongoing impact from certain larger European clients focusing on cost-cutting measures such as vendor consolidation, offshoring, and increasing pricing pressure on service providers also affected International revenues. One of our largest clients accounted for 6% of consolidated revenues and 9% of the International division s revenues in 2011. As a result of a bidding process the client conducted, we were notified that our status changed to secondary provider from primary provider. The level of overall services we provided to this client increased in 2011 as compared with 2010; however, during the second half of 2011 this client began cost-reduction initiatives, which included reductions in the level of services they purchased from us. While we cannot predict future revenues from this client with any certainty, during the first half of 2012, this client accounted for approximately 4% of consolidated revenues and 6% of the International division s revenues.

- North America revenues improved 9% between the comparable periods related to the prior year negative revenue adjustments made for significant changes in estimates related to costs or scope on five fixed-price projects. Excluding the prior year revenue adjustments, North America revenue was down approximately 3% as compared to the same period last year as increases in the level of services provided at several current clients and new project work weren t sufficient to replace revenues from concluded projects and service-level reductions at other clients. We believe that North America revenues have mostly stabilized as total revenues for the current three month period improved 4% over the previous three month period. We currently expect to achieve revenue growth in future quarters, however, the rate of that growth may be slower, depending upon our ability to win more new projects, especially those that are larger in size.

Gross Profit. Gross profit margin improved to 25.5% for the three months ended June 30, 2012, compared to 20.6% for the same period in 2011. The revenue adjustments recorded during the prior year period had a significant negative impact on North America s 2011 gross profit margin. Excluding these adjustments, North America gross margin showed improvement attributable to several operational disciplines implemented during 2011, such as reducing the breadth of our service offerings and improving delivery quality. These disciplines, in addition to

the conclusion of several large fixed-price projects with low margins, contributed to gross margin improvement by reducing the impact of cost overruns and delivery inefficiencies, and lowering the division s overall risk profile. Gross profit margin for our International division declined, partially offsetting the gain from North America, due to decreased utilization resulting from concluded and canceled projects, reliance on more expensive subcontractor labor and pricing pressure.

Selling, general and administrative costs. Our SG&A costs decreased $4.6 million, or 8% to $55.5 million for the three months ended June 30, 2012, from $60.1 million for the three months ended June 30, 2011, due to reduced salary and benefit costs, savings in discretionary SG&A items, as well as lower recruiting and consulting costs.

Table of Contents

Operating income (loss). Operating income improved to $4.7 million for the three months ended June 30, 2012, as compared to an operating loss of $27.5 million for the same period of 2011, due primarily to negative revenue adjustments of $13.4 million and goodwill impairment of $16.3 million both recorded during the prior year period, as well as the current period reduction in SG&A costs.

Operating income (loss) from continuing operations by segment was as follows:

	Three Months Ended June 30, 2012	2011	% change	2012 % of revenue*	2011 % of revenue*
	(In thousands)				
International	$ 7,079	$ 7,217	(1.9)%	6.2%	5.7%
North America	6,123	(10,558)	158.0	4.9	(9.3)
Other	80	73	9.6	10.9	9.5
Corporate expenses	(8,397)	(7,134)	(17.7)	(3.5)	(3.0)
Unallocated expenses of discontinued operations		(103)	100.0		
Earnings (loss) before interest, taxes and amortization	4,885	(10,505)	146.5	2.1	(4.4)
Goodwill impairment		(16,300)	100.0		(6.8)
Amortization of intangible assets	(161)	(682)	76.4	(0.1)	(0.3)
Total operating income (loss) from continuing operations	$ 4,724	$ (27,487)	117.2%	2.0%	(11.4)%

*International, North America and Other calculated as a % of their respective revenue, all other items calculated as a % of total revenue. Column may not total due to rounding.

- International operating income declined slightly, but improved 50 basis points as a percentage of revenue related to cost initiatives begun during 2011 that resulted in reduced SG&A expenses for salaries and benefit costs, as well as discretionary items, that were partially offset by a reduction in gross profit margin due to decreased utilization, an increased reliance on more expensive subcontractor labor and pricing pressure.

- North America operating income increased to $6.1 million from an operating loss of $10.6 million that was largely due to the prior year negative revenue adjustments of $13.4 million for five fixed-price projects. Current quarter operating margin also reflects delivery efficiency improvements, combined with reductions in SG&A expenses for reduced severance, discretionary items, facilities and recruiting costs.

- Corporate expenses increased during the current three month period primarily due to increases in stock compensation and management salaries expense.

Interest expense. Interest expense increased $0.4 million for the three months ended June 30, 2012, compared to the same period of 2011 primarily due to $1.1 million of capitalized debt facility fees that were written off when our senior credit facility was terminated during the current quarter, and partially offset by a reduction in interest expense due to a significant reduction in our average borrowings outstanding between the comparable three month periods.

Other income (expense), net. Other income, net was $0.7 million for the three months ended June 30, 2012, primarily due to foreign exchange gains. For the three months ended June 30, 2011, other expense, net was $2.7 million, mainly related to a $2.6 million expense for additional acquisition-related contingent consideration.

Table of Contents

Income taxes. Current period U.S. and foreign income (loss) before income taxes and income tax expense were as follows:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
	(In thousands)	
Income (loss) from continuing operations before income taxes:		
U.S.	$ (5,000)	$ (37,411)
Foreign	8,407	5,508
Total	$ 3,407	$ (31,903)
Income tax expense:		
U.S.	$ 1,399	$ 25,815
Foreign	1,740	1,255
Total	$ 3,139	$ 27,070

Beginning in the second quarter of 2011, due to our history of losses in our U.S. operations, we no longer record tax benefits for our U.S. incurred losses. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to goodwill amortization and we expect to record approximately $6 million of related U.S. deferred tax expense in 2012. In addition, we also continue to incur certain other miscellaneous U.S. current tax expense items. During the three months ended June 30, 2011, we recorded a non-cash charge of $29.1 million to provide a valuation allowance for all of our domestic deferred tax assets as of April 1, 2011. Additionally, in the three months ended June 30, 2011, we had United States deferred tax expense of $1.5 million, and a deferred tax benefit of $4.4 million related to the non-cash goodwill impairment charge recognized during that period.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 25% to 33%. In both 2012 and 2011, certain of our foreign operations benefited from the utilization of net operating loss (NOL) carryforwards resulting in a slightly lower than normal effective foreign tax rate.

Table of Contents

Results of Operations Comparison of the Six Months Ended June 30, 2012 and 2011

The following table sets forth certain Consolidated Statement of Operations data in dollars and expressed as a percentage of revenue:

	Six Months Ended June 30,			
	2012		2011	
	(Dollars in thousands)			
Consulting services	$ 452,063	94.6%	$ 472,171	95.2%
Other revenue	25,954	5.4	23,729	4.8
Total revenues	$ 478,017	100.0%	$ 495,900	100.0%
Gross profit - consulting services	$ 109,811	24.3%	$ 104,803	22.2%
Gross profit - other revenue	9,098	35.1	10,542	44.4
Gross profit - total	118,909	24.9	115,345	23.3
SG&A costs	106,821	22.3	118,624	23.9
Goodwill impairment			16,300	3.3
Amortization of intangible assets	325	0.1	1,314	0.3
Operating income (loss) from continuing operations	11,763	2.5	(20,893)	(4.2)
Interest income	423	0.1	204	
Interest expense	(4,067)	(0.9)	(3,367)	(0.7)
Other income (expense), net	114		(3,474)	(0.7)
Income (loss) from continuing operations before income taxes	8,233	1.7	(27,530)	(5.6)
Income tax expense	7,125	1.5	28,147	5.7
Net income (loss) from continuing operations	$ 1,108	0.2%	$ (55,677)	(11.2)%

Revenues. For the six months ended June 30, 2012, total revenues decreased $17.9 million, or 4% in U.S. dollars and decreased $2.0 million, or less than 1% in local currency as compared with the same period of 2011. Excluding the impact of unfavorable currency rates, International division revenues improved 2% for the current six month period compared with the same period last year. North America revenues decreased between the comparable periods both before and after adjusting for $13.4 million of negative revenue adjustments recorded on five fixed-price projects during the second quarter of 2011. North America current period revenues declined as sales of new projects and additional work from existing clients have not been sufficient to offset attrition.

Revenue by segment from continuing operations was as follows:

	Six Months Ended June 30,		
	2012	2011	% change
	(In thousands)		
International	$ 237,576	$ 248,198	(4.3)%
North America	243,135	247,617	(1.8)
Other	1,507	1,630	n/m

Inter-segment		(4,201)		(1,545)	n/m
Total revenues	$	478,017	$	495,900	(3.6)%

n/m = not meaningful

- International revenues decreased 4% overall, but improved 2% in local currency. The impact of unfavorable currency rates during the current six month period were offset by a small overall improvement in revenue on a local currency basis. The softer European economy caused revenue results to vary considerably by territory. Revenue growth remained strongest in the U.K., Germany and Norway, as well as a few other countries, due to continued demand for IT services and where we have been successful at providing certain technology-specific and/or vertical-specific

Table of Contents

services. Revenue growth in these territories more than offset declines elsewhere that were predominately related to client-specific issues, which in certain cases were driven by economic concerns, and included several canceled, delayed or completed projects. The ongoing impact from certain larger European clients focusing on cost-cutting measures such as vendor consolidation, offshoring, and increasing pricing pressure on service providers also affected International revenues. One of our largest clients accounted for 6% of consolidated revenues and 9% of the International division s revenues in 2011. As a result of a bidding process the client conducted, we were notified that our status changed to secondary provider from primary provider. The level of overall services we provided to this client increased in 2011 as compared with 2010; however, during the second half of 2011 this client began cost-reduction initiatives, which included reductions in the level of services they purchased from us. While we cannot predict future revenues from this client with any certainty, during the first half of 2012, this client accounted for approximately 4% of consolidated revenues and 6% of the International division s revenues.

- North America revenues decreased 2% between the comparable six month periods, however, after adjusting for $13.4 million of negative revenue adjustments made in the prior year for significant changes in estimates related to costs or scope on five fixed-price projects, North America revenues are down 7% year over year. This decline is due to concluded projects and service-level reductions at certain clients, which were not sufficiently replaced with new project work and increases in the level of services provided at other clients. We believe that North America revenues have mostly stabilized as total revenues have steadily improved over the last six months. We currently expect to achieve revenue growth in future quarters, however, the rate of that growth may be slower, depending upon our ability to win more new projects, especially those that are larger in size.

Gross Profit. Gross profit margin improved to 24.9% for the six months ended June 30, 2012, compared to 23.3% for the same period in 2011. The revenue adjustments recorded during the prior year period had a significant negative impact on North America s 2011 gross profit margin. Excluding these adjustments, North America gross margin showed improvement that was realized mainly during the current quarter and was attributable to several operational disciplines implemented during 2011, such as reducing the breadth of our service offerings and improving delivery quality. These disciplines, in addition to the conclusion of several large fixed-price projects with low margins, contributed to gross margin improvement by reducing the impact of cost overruns and delivery inefficiencies, and lowering the division s overall risk profile. International division gross margin declined due to decreased utilization resulting from concluded and canceled projects, reliance on more expensive subcontractor labor and pricing pressure.

Selling, general and administrative costs. Our SG&A costs decreased $11.8 million, or 10% to $106.8 million for the six months ended June 30, 2012, from $118.6 million for the six months ended June 30, 2011, in large part due to reduced salary and benefit costs, including severance, as well as reductions in discretionary SG&A items and bad debt expenses.

Operating income (loss). Operating income improved to $11.8 million for the six months ended June 30, 2012, as compared to an operating loss of $20.9 million for the same period of 2011, due primarily to negative revenue adjustments of $13.4 million and goodwill impairment of $16.3 million both recorded during the prior year period, as well as the current period reduction in SG&A costs.

Operating income (loss) from continuing operations by segment was as follows:

	Six Months Ended June 30, 2012	2011	% change	2012 % of revenue*	2011 % of revenue*
	(In thousands)				
International	$ 15,491	$ 14,493	6.9%	6.5%	5.8%

North America	11,758	(3,095)	479.9	4.8	(1.2)
Other	130	225	(42.2)	8.6	13.8
Corporate expenses	(15,049)	(14,644)	(2.8)	(3.1)	(3.0)
Unallocated expenses of discontinued operations	(242)	(258)	6.2	(0.1)	(0.1)
Earnings (loss) before interest, taxes and amortization	12,088	(3,279)	468.6	2.5	(0.7)
Goodwill impairment		(16,300)	100.0		(3.3)
Amortization of intangible assets	(325)	(1,314)	75.3	(0.1)	(0.3)
Total operating income (loss)	$ 11,763	$ (20,893)	156.3%	2.5%	(4.2)%

*International, North America and Other calculated as a % of their respective revenue, all other items calculated as a % of total revenue. Column may not total due to rounding.

Table of Contents

- International operating income improved $1.0 million due to SG&A cost savings for salary and benefit costs and discretionary spending outweighing the reduction in gross profit margin resulting from decreased utilization, reliance on more expensive subcontractor labor and pricing pressure.

- North America operating income increased to $11.8 million from an operating loss of $3.1 million that was largely due to the prior year negative revenue adjustments of $13.4 million for five fixed-price projects, as well as reductions in SG&A expenses for discretionary items, bad debt expenses, and facilities and recruiting costs.

- Corporate expenses increased slightly during the current six month period due to increases in stock compensation and management salaries expense and equipment rental and maintenance, offset by decreased expenses for recruiting and consulting.

Interest expense. Interest expense increased $0.7 million for the six months ended June 30, 2012, compared to the same period of 2011 primarily due to $1.1 million of capitalized debt facility fees that were written off when our senior credit facility was terminated during the current quarter, and partially offset by a reduction in interest expense due to a significant reduction in our average borrowings outstanding between the comparable six month periods.

Other income (expense), net. Other income, net was $0.1 million for the six months ended June 30, 2012, compared with other expense, net of $3.5 million, for the six months ended June 30, 2011, primarily related to a $3.2 million expense for acquisition-related contingent consideration in 2011.

Income taxes. Current period U.S. and foreign income (loss) before income taxes and income tax expense were as follows:

	Six Months Ended June 30,	
	2012	**2011**
	(In thousands)	
Income (loss) from continuing operations before income taxes:		
U.S.	$ (9,331)	$ (40,784)
Foreign	17,564	13,254
Total	$ 8,233	$ (27,530)
Income tax expense:		
U.S.	$ 2,787	$ 25,222
Foreign	4,338	2,925
Total	$ 7,125	$ 28,147

Beginning in the second quarter of 2011, due to our history of losses in our U.S. operations, we no longer record tax benefits for our U.S. incurred losses. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to goodwill amortization and we expect to record approximately $6 million of related U.S. deferred tax expense in 2012. In addition, we also continue to incur certain other miscellaneous U.S. current tax expense items. During the three months ended June 30, 2011, we recorded a non-cash charge of $29.1 million to provide a valuation allowance for all of our domestic deferred tax assets as of April 1, 2011. Additionally, in the three months ended June 30,

2011, we had United States deferred tax expense of $1.5 million, and a deferred tax benefit of $4.4 million related to the non-cash goodwill impairment charge recognized during that period.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 25% to 33%. In both 2012 and 2011, certain of our foreign operations benefited from the utilization of net operating loss (NOL) carryforwards resulting in a slightly lower than normal effective foreign tax rate.

Table of Contents

Liquidity and Capital Resources

At June 30, 2012, we had an increase in working capital to $106.0 million from $92.8 million at December 31, 2011. Our current ratio was 1.7:1 at June 30, 2012, compared to 1.5:1 at December 31, 2011. Our primary sources of liquidity are cash flows from operations, available cash reserves and debt capacity under our new credit agreement. In addition, we could seek to raise additional funds through public or private debt or equity financings. We believe that our cash and cash equivalents, our expected operating cash flow and our available credit agreement will be sufficient to finance our working capital needs through at least the next year.

Our balance of cash and cash equivalents was $29.1 million at June 30, 2012, compared to $65.6 million at December 31, 2011. Our domestic cash balances are generally used to reduce our outstanding borrowings. Typically, most of our cash balance is maintained by our foreign subsidiaries. From time to time, we may engage in short-term loans from our foreign operations. In order to meet the scheduled principal reduction requirements for the term loan under our previous senior credit facility, we repatriated $30 million of foreign cash to the U.S. in January 2012. Due to our domestic NOL carryforwards, this repatriation did not result in any material current tax payments. The repatriation reduced the available NOL carryforwards which are available to offset future U.S. taxable income. Except for the $30 million cash repatriation, we have not provided for any additional U.S. income taxes on the undistributed earnings of our foreign subsidiaries, as we currently do not have plans to repatriate cash in the future and we consider these to be permanently reinvested in the operations of such subsidiaries. Effective May 7, 2012, our new credit agreement provides for foreign borrowings if needed; however, we presently have no immediate plans to borrow under this portion of the new credit agreement. If future events, including material changes in estimates of cash, working capital and long-term investment requirements, necessitate that the undistributed earnings of our foreign subsidiaries be distributed, an additional provision for income taxes may apply, which could materially affect our future tax expense. At June 30, 2012, we estimate we have approximately $31 million of U.S. Federal NOL carryforwards available to offset future taxable income. Absent the availability of NOL carryforwards or tax credits, the possible tax consequences of any foreign cash repatriation could be significant.

	Six Months Ended June 30,			
	2012		2011	
	(In thousands)			
Net cash provided by (used in) continuing operations:				
Operating activities	$	(29,448)	$	(20,730)
Investing activities		(2,918)		(6,571)
Financing activities		(33,074)		14,116
Net cash used in continuing operations		(65,440)		(13,185)
Net cash provided by (used in) discontinued operations:				
Operating activities		(2,301)		(708)
Investing activities		31,461		(36)
Net cash provided by (used in) discontinued operations:		29,160		(744)
Effect of foreign exchange rate changes on cash and cash equivalents		(214)		6,389
Net decrease in cash and cash equivalents	$	(36,494)	$	(7,540)

Operating activities. Cash used in operating activities from continuing operations was $29.4 million during the six months ended June 30, 2012, compared with $20.7 million for the six months ended June 30, 2011. Changes in normal short-term working capital items, partially offset by an improvement in earnings, contributed to the overall reduction in cash from continuing operations during the current six month period as compared to same period of the prior year. Our working capital fluctuates significantly due to changes in accounts receivable (discussed below), as well as due to the timing of our domestic payroll and accounts payable processing cycles with regard to month-end dates and other seasonal factors. During the six months ended June 30, 2012 and 2011, our domestic operations used $13.7 million and $10.8 million, respectively, of cash from continuing operations while our International operations used $15.7 million and $9.9 million, respectively. Typically, the seasonality of our business in many European countries results in negative cash from operations in the early part of the year with improvements in the second half of the year. Cash flow from European receivables and payables are typically maximized in the fourth quarter, and annual bonuses

are paid during the first quarter.

Changes in accounts receivable can have a significant impact on our cash flow. Items that can affect our cash flow from accounts receivable include: contractual payment terms, client payment patterns (including approval or processing delays and cash management), client mix (public vs. private), fluctuations in the level of IT product sales and the effectiveness of our collection

Table of Contents

efforts. Many of the individual reasons are outside of our control and, as a result, it is normal for cash flow from accounts receivable to fluctuate from period to period, affecting our liquidity.

Total accounts receivable increased to $209.5 million at June 30, 2012, from $182.4 million at December 31, 2011. Total accounts receivable day s sales outstanding (DSO) increased to 64 days at June 30, 2012, from 53 days at December 31, 2011, an increase of 11 days, compared with DSO of 66 days at June 30, 2011 and 61 days at December 31, 2010, an increase of five days, contributing considerably to the increase in cash used by operations during the current six month period. During each of the comparable six month periods ended June 30, 2012 and 2011, we experienced increased DSO both domestically and from our International division. Our International division typically experiences slower receivable payments in the first half of the year with improvement in the second half of the year and their lowest DSO levels typically occur in December. Domestic accounts receivable was higher at June 30, 2012, due to increased unbilled accounts receivable on fixed-price projects, as well as higher revenues.

Accrued compensation and related liabilities fluctuate from period to period based on a couple of primary factors, including the timing of our normal bi-weekly U.S. payroll cycle and the timing of variable compensation payments. Our bonuses are typically accrued throughout the year and paid quarterly or, in the case of annual management bonuses, in the first quarter of the following year, causing some fluctuation from quarter to quarter. Accounts payable and other accrued liabilities typically fluctuate based on when we receive actual vendor invoices and when they are paid. The largest of such items typically relates to vendor payments for IT hardware and software products that we resell and payments to services-related subcontractors.

Investing activities. Spending on property and equipment decreased to $2.9 million during the six months ended June 30, 2012, from $5.7 million in the same period of 2011. Generally, our capital spending is primarily for technology equipment and software and to support our global employee base, as well as our management and corporate support infrastructure, and for investment in our domestic and off-shore delivery centers. Such investments will fluctuate from period to period. Investing activities from discontinued operations for the six months ended June 30, 2012, consisted of current period proceeds totaling $31.5 million from the sale of our Federal division, net of transaction costs.

Financing activities. Typically, our most significant financing activities consist of the borrowings and payments under our credit facility. This primarily fluctuates based on net cash provided by, or used in, our domestic operations during the period as our U.S. cash receipts and disbursements are linked to the revolving credit facility. During the six months ended June 30, 2012, we had net payments on our long-term debt of $30.6 million primarily from the repatriation of $30 million of foreign cash to the U.S. in January and the sale of our Federal Division in March 2012, compared with net borrowings of $8.0 million for the six months ended June 30, 2012. During the six months ended June 30, 2012, we had a cash inflow of $0.9 million for proceeds from employee stock plans, which was down from $6.3 million for the same period of 2011.

Credit Agreement. On May 7, 2012, we entered into a Credit Agreement (the Credit Agreement) among Ciber, as United States (U.S.) borrower, certain of our United Kingdom and Dutch subsidiaries (the U.K. Dutch Borrowers), certain of our German subsidiaries (the German Borrowers), Wells Fargo Bank, N.A., as administrative agent (Wells Fargo), and the other lenders from time to time party thereto. The Credit Agreement replaced our previous credit agreement and refinanced all amounts outstanding thereunder.

The Credit Agreement provides for (1) an asset-based revolving line of credit of up to $60 million (the ABL Facility), with the amount available for borrowing at any time under such line of credit determined according to a borrowing base valuation of eligible account receivables, and (2) a $7.5 million term loan to Ciber (the Term Loan). The total available borrowing base on June 30, 2012, was $56 million. The ABL Facility matures on May 7, 2017, and the Term Loan matures on November 7, 2013. The Term Loan amortizes in monthly principal payments of

approximately $0.4 million starting on October 31, 2012, with the balance due at maturity of the Term Loan. As of June 30, 2012, we had $28.7 million outstanding under the ABL Facility and $7.5 million outstanding under the Term Loan.

The ABL Facility contains sub-facilities for (i) a revolving line of credit in favor of the U.K. Dutch Borrowers providing for borrowings in Euros or Great Britain Pounds of up to the equivalent of $20 million (the U.K. Dutch Revolver), (ii) a revolving line of credit in favor of the German Borrowers providing for borrowings in Euros of up to the equivalent of $10 million (the German Revolver), (iii) letters of credit of up to $6.7 million, and (iv) shorter term swingline loans of up to $10 million. The ABL Facility may be increased from time to time by us upon the satisfaction of certain conditions, including obtaining additional lender commitments for such increase, by up to an aggregate of $25 million.

The obligations of Ciber under the Credit Agreement are guaranteed by our U.S. subsidiaries and secured by substantially all the assets of Ciber and such subsidiaries. The obligations of the U.K. Dutch Borrowers and the German Borrowers under the Credit Agreement are guaranteed by us and all our material U.S., Dutch and British subsidiaries, and secured by substantially all the assets of Ciber and such subsidiaries.

Table of Contents

The Term Loan accrues interest at an annual rate of 12.0%. The ABL Facility accrues interest at a rate of the London interbank offered rate (LIBOR) plus a margin ranging from 225 to 275 basis points, or, at our option, a base rate equal to the greatest of (a) the Federal Funds Rate plus 0.50%, (b) LIBOR plus 1%, and (c) the prime rate set by Wells Fargo plus a margin ranging from 125 to 175 basis points. Borrowings under the U.K. Dutch Revolver and the German Revolver accrue interest at a rate of LIBOR plus a margin ranging from 225 to 275 basis points and certain fees related to compliance with European banks and regulators. The interest rates applicable to borrowings under the Credit Agreement are subject to increase during an event of default. We are also required to pay an unused line fee ranging from 0.375% to 0.50% annually on the unused portion of the ABL Facility. In the case of the ABL Facility, the applicable margin and unused line fee is determined according to the amount of unused borrowing capacity under the ABL Facility.

If we terminate the Credit Agreement within one year of the date of the Credit Agreement, we must pay a prepayment fee equal to 1% of the amount of the ABL Facility plus the amount outstanding under the Term Loan. Otherwise, loans under the Credit Agreement may be prepaid, in whole or in part, without premium or penalty. In addition, the Credit Agreement contains certain mandatory prepayment provisions. Subject to certain exceptions and conditions, we may be required to prepay the Term Loan with the net cash proceeds received from certain events, including, receipt of proceeds from a disposition of assets, a judgment or settlement, the issuance of indebtedness or the issuance of common stock or other equity interests. In addition, a mandatory prepayment of the Term Loan is required on an annual basis in an amount equal to 50% of any excess cash flow (as defined in the Credit Agreement) less the amount of any other prepayments made that year. The ABL Facility or any sub-facility must be prepaid to the extent that borrowings under such facility exceed the maximum availability under the ABL Facility or the applicable sub-facility.

The Credit Agreement includes a number of business covenants, including customary limitations on, among other things, indebtedness, liens, investments, guarantees, mergers, dispositions, acquisitions, liquidations, dissolutions, issuances of securities, payments of dividends, loans and advances, and transactions with affiliates.

The Credit Agreement also contains certain financial covenants, including: (i) a minimum trailing 12-month EBITDA, which starts at $39.2 million for April 2012, decreases over seven months to $27.6 million for November and December of 2012 and then increases over ten months to $41.4 million for October 2013; (ii) a minimum trailing 12-month fixed charge coverage ratio of 1.1 to 1.0; and (iii) a maximum trailing 12-month leverage ratio, which starts at 1.1 to 1.0 for April 2012, decreases over five months to 1.6 to 1.0 for September through November of 2012 and increases over 11 months to 1.0 to 1.0 for October 2013. We are required to be in compliance with the financial covenants at the end of each calendar month until the Term Loan is repaid in full. We are also required to be in compliance with the minimum fixed charge coverage ratio after the Term Loan is repaid in full if (i) an event of default has occurred and is continuing, (ii) less than 25% of the ABL Facility is available for borrowing, or (iii) less than $15 million is available for borrowing under the ABL Facility. We must then continue to comply with the minimum fixed charge coverage ratio until (1) no event of default is continuing and (2) at least 25% of the ABL Facility and a minimum of $15 million have been available for borrowing under the ABL Facility for 30 consecutive days. We were in compliance with the financial covenants under our Credit Agreement at June 30, 2012.

Wells Fargo will take dominion over our U.S. cash and cash receipts and will automatically apply such amounts to the ABL Facility on a daily basis if (i) an event of default has occurred and is continuing, (ii) less than 30% of the ABL Facility or less than $18 million is available for borrowing under the ABL Facility for five consecutive days, or (iii) less than 25% of the ABL Facility or less than $15 million is available for borrowing under the ABL Facility at any time. Wells Fargo will continue to exercise dominion over our U.S. cash and cash receipts until (1) no event of default is continuing and (2) at least 30% of the ABL Facility and a minimum of $18 million have been available for borrowing under the ABL Facility for 30 consecutive days. In addition, at all times during the term of the ABL Facility, Wells Fargo will have dominion over the cash of the U.K. Dutch Borrowers and the German Borrowers and will automatically apply such amounts to the ABL Facility on a daily basis. As a result, any borrowings that will be outstanding subject to the banks dominion, will be classified as a current liability on our balance sheet.

The Credit Agreement generally contains customary events of default for credit facilities of this type, including nonpayment, material inaccuracy of representations and warranties, violation of covenants, default of certain other agreements or indebtedness, bankruptcy, material judgments, invalidity of the Credit Agreement or related agreements, and a change of control. Upon an event of default that is not cured or waived within any applicable cure periods, in addition to other remedies that may be available to the lenders, the obligations under the Credit Agreement may be accelerated, outstanding letters of credit may be required to be cash collateralized and remedies may be exercised against the collateral.

Table of Contents

Off-Balance Sheet Arrangements

We do not have any reportable off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Goodwill We perform our annual impairment analysis of goodwill as of June 30 each year, or more often if there are indicators of impairment present. We test each of our reporting units for goodwill impairment. Our reporting units are the same as our operating divisions and reporting segments. The goodwill impairment test requires a two-step process. The first step consists of comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, then it is not considered impaired and no further analysis is required. If step one indicates that the estimated fair value of a reporting unit is less than its carrying value, then impairment potentially exists and the second step is performed to measure the amount of goodwill impairment. Goodwill impairment exists when the estimated implied fair value of a reporting unit s goodwill is less than its carrying value.

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2012. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 5%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit s estimated weighted average cost of capital, which were 11.5% and 13.5% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/revenue multiples of 0.6 and 0.4, respectively, and enterprise value/EBITDA multiples of approximately 7 and 5, respectively, in order to value each of our reporting units under the market approach. In addition, the fair value under the market approach included a control premium of 33%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

As a result of the first step of our goodwill impairment test as of June 30, 2012, we estimated that the fair values for our International and North America reporting units exceeded their carrying amounts by 70% and 12%, respectively, thus no impairment was indicated. We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

We currently have a remaining goodwill balance of $273.6 million at June 30, 2012. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. In estimating the fair value of the reporting units for the purpose of our annual or periodic goodwill impairment analysis, we make estimates and judgments about the future cash flows of the reporting units, including estimated growth rates and assumptions about the economic environment. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying reporting units, there is significant judgment in determining the cash flows attributable to these reporting units. We consider our market capitalization, adjusted for unallocated

monetary assets such as cash, debt, a control premium and other factors determined by management. As a result, several factors could result in the impairment of a material amount of our goodwill balance in future periods, including, but not limited to:

(1) Failure of Ciber to reach our internal forecasts could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated fair values of our reporting units;

(2) A decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of either of our reporting units below their carrying values.

Adverse changes in our market capitalization, long-term forecasts and industry growth rates could result in additional impairment charges being recorded in future periods for goodwill attributed to either of our reporting units. Any future impairment charges would adversely affect our results of operations for those periods.

Table of Contents

For a description of our other critical accounting policies and estimates, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three months ended June 30, 2012, there were no material changes in our market risk exposure. For a complete discussion of our market risk associated with foreign currency risk and interest rate risk as of December 31, 2011, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures During the fiscal period covered by this report, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Controls There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in legal proceedings, audits, claims and litigation arising in the ordinary course of business. Although the outcome of such matters is not predictable, we do not expect that the ultimate outcome of any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

Notwithstanding the foregoing, we are engaged in legal proceedings in Germany in connection with our acquisition of a controlling interest in Novasoft AG (now known as Ciber AG) in 2004. In August 2006, we completed a buy-out of the remaining minority shareholders of Novasoft;

however, certain of those former minority shareholders challenged the adequacy of the buy-out consideration in a German court. The court appointed independent experts have evaluated the consideration and claims of the minority shareholders and on April 27, 2012, Ciber filed a brief on its positions with respect to the evaluation. At this time, we are unable to predict the outcome of these proceedings, although, if the court awards additional consideration, such consideration will increase the goodwill associated with the acquisition and we will be liable for that additional consideration, as well as the costs associated with these proceedings.

CamSoft, Inc., a Louisiana corporation, claims that it had a role in an alleged joint venture that developed a wireless network for video camera surveillance systems to be deployed to municipal governments. The lawsuit, CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment and conspiracy claims. The suit has many of the same parties that were involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who are now co-defendants in the current lawsuit and CamSoft s former alleged joint venturers. Ciber is vigorously defending the allegations and has filed a comprehensive motion to dismiss all claims, state and federal. In July 2011, the Court granted Ciber s motion to dismiss Plaintiffs unfair trade practices, trade secret, fraud and unjust enrichment claims, but not the state law conspiracy claim. On April 30, 2012, the Court granted Ciber s motion to dismiss the Plaintiffs antitrust and civil RICO claims. Ciber is not certain at this point if the Plaintiffs will attempt to pursue the remaining state law claims in state court or a federal court appeal or what claims, if any, may survive in the future.

Table of Contents

On October 28, 2011, a putative securities class action lawsuit, Weston v. Ciber, Inc. et al., was filed in the United States District Court for the District of Colorado against Ciber, its current Chief Executive Officer David C. Peterschmidt, current Executive Vice President and Chief Financial Officer (CFO) Claude J. Pumilia and former CFO Peter H. Cheesbrough (the Class Action). The Class Action purports to have been filed on behalf of all holders of Ciber common stock between December 15, 2010 and August 3, 2011 by alleged stockholder and plaintiff, Burt Weston. The Class Action generally alleges that defendants Ciber, Mr. Peterschmidt, Mr. Pumilia and Mr. Cheesbrough (the Class Action Defendants) violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Securities and Exchange Commission (SEC) Rule 10b-5. Specifically, the complaint alleges that the Class Action Defendants disseminated or approved alleged false statements concerning the Company s outlook and forecast for fiscal year 2011 in: (1) the Company s 8-K filed with the SEC and press conference held with investors on December 15, 2010; (2) the Company s press release and earnings conference call on February 22, 2011; (3) the Company s 10-K for fiscal year 2010 filed with the SEC on February 25, 2011; and (4) the Company s press release, earnings conference call, and Form 10-Q for first quarter 2011 filed with the SEC on May 3, 2011. The complaint also generally alleges that the Class Action Defendants violated Section 20(a) of the Exchange Act. Specifically, the complaint alleges that the Class Action Defendants acted as controlling persons of Ciber within the meaning of Section 20(a) of the Exchange Act by reason of their positions with the Company. The Class Action seeks, among other things: (1) an order from the Court declaring the complaint to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure and certifying plaintiff as a representative of the purported class; (2) awarding plaintiff and the members of the class damages, including interest; (3) awarding plaintiff reasonable costs and attorneys fees; and (4) awarding such other relief as the Court may deem just and proper. The Court appointed Mr. Weston and City of Roseville Employees Retirement System as lead plaintiffs and the law firms of Robbins, Geller Rudman & Dowd LLP and Robbins Umeda LLP as lead plaintiffs counsel on January 31, 2012. Lead Plaintiffs filed an amended complaint in early April 2012. The Class Action Defendants have filed a motion to dismiss, which is currently pending. The Company believes that the Class Action is without merit and intends to defend against it vigorously. There can, however, be no assurance of the outcome of these actions.

On February 7, 2012, a purported verified shareholder derivative lawsuit, Seni v. Peterschmidt. et al., was filed in the United States District Court for the District of Colorado (the Derivative Action) against Messrs. Peterschmidt, Pumilia, and Cheesbrough, and Ciber s current board of directors: Messrs. Bobby G. Stevenson, Jean-Francois Heitz, Paul A. Jacobs, Stephen S. Kurtz, Kurt J. Lauk, Archibald J. McGill, and James C. Spira (Individual Defendants). Ciber is named as a nominal defendant (collectively, with the Individual Defendants, the Derivative Defendants). The Derivative Action is largely based on the same alleged facts as the Class Action. The complaint in the Derivative Action generally alleges that the Individual Defendants breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision by approving the issuance of allegedly false statements that misrepresented material information about the finances and operations of the Company. The Derivative Complaint also alleges that the Individual Defendants were unjustly enriched as a result of the compensation they received while breaching their fiduciary duties to the Company. The complaint seeks, among other things: (1) damages for losses sustained by the Company as a result of the Individual Defendants breaches; (2) various corporate therapeutics; (3) restitution for the Company from the Individual Defendants; (4) an award to plaintiff of reasonable costs and attorneys fees; and (5) such other relief as the Court may deem just and proper. On April 30, 2012, the Court granted Ciber s Motion to Stay Discovery and Vacate the Scheduling Conference and Related Deadlines. Ciber filed a motion to dismiss, which is pending. If that motion is denied, the Court will require a scheduling conference shortly after the ruling on the motion to dismiss.

Item 1A. Risk Factors

We operate in a dynamic and rapidly changing economic and technological environment that involves numerous risks and uncertainties, many of which are driven by factors that we cannot control or predict. The following section describes some, but not all, of the factors that could have a material adverse affect on our business, financial condition, results of operations and the market price of our common stock.

Our results of operations may be adversely affected if we are unable to execute on the key elements of our strategic plan.

The key initiatives of our strategic plan include: (i) focusing on high-value, tightly-defined core offerings with a well-developed portfolio of reusable solution sets; (ii) developing a world-class sales organization; and (iii) performing under heightened operational regimes.

To tighten focus on our market approach, in 2011, we re-aligned our sales and delivery functions with our global markets and refined our offerings into practices and verticals. This involved analyzing and better qualifying our client base, as well as identifying those clients that represent greater opportunity for selling services of strategic value. If we fail to properly analyze and classify our clients or refine our offerings, we may not be focusing on the optimal client group or service offerings to help us achieve our desired objectives and, as a consequence, our results may not meet the forecasted levels.

Table of Contents

To improve our revenue and profitability, we transitioned to a collaborative sales force that is driven by global account management. In addition, we are continuing to improve the training of our sales force in consultative selling techniques. This transition and training requires the investment of both time and capital. If we are unable to effectively transition to a globally-integrated, effective sales force, we may be less effective in generating revenue and profit than our competitors.

To improve our delivery execution, resource utilization, decision making process and cash collection cycle, we changed our internal operational regimes. As with any organization with over 7,400 employees and contractors, effecting significant changes in operational regimes and corporate culture can be challenging. If we are unable to instill the appropriate operational regimes and gain the anticipated improvements, we may not be able to increase our profitability, improve our cash flow and strengthen our balance sheet.

Implementing our strategic plan requires, among other things, expending capital, developing and adopting new technologies, recruiting talented employees, expanding our offshore capabilities and changing our corporate culture. If we are unable to successfully execute any or all of the initiatives of our strategic plan, our revenues, operating results and profitability may be adversely affected. Even if we successfully implement our strategic plan, we cannot guarantee that our revenues, operating results and profitability will improve.

Our results of operations can be adversely affected by economic conditions and the impacts of economic conditions on our clients operations and technology spending.

Our results of operations are affected by the level of business activity of our clients, which in turn is affected by the regional and global economic conditions in which they operate. The uncertainty of global economic conditions has affected, and may continue to affect, demand for our services. These circumstances have caused some of our clients to delay, cancel or scale back their IT projects or IT spending, to seek lower pricing or extended payment terms, to delay payments due to us and, as occurred with several clients, to enter into bankruptcy or liquidation. Reduced demand for IT services has also resulted in reductions in the growth of new business and led to increased price competition for our services and increased the likelihood of entering into contracts that produce lower profit margins. In the event our clients continue to be negatively affected by economic conditions, our revenues, results of operations and financial condition may be materially adversely affected.

Termination of a contract by a significant client and/or cancellation with short notice could adversely affect our results of operations.

Our five largest clients accounted for approximately 16% of our total revenue in 2011, including one client that accounted for 9% of total International division revenue and two clients that accounted for 9% and 8%, respectively, of total North America division revenue. Our clients typically retain us on a non-exclusive, engagement-by-engagement basis. Most individual client assignments are from three to twelve months; however, many of our client relationships have continued for many years. Although they may be subject to penalty provisions, clients may generally cancel a contract with short notice. Under many contracts, clients may reduce or delay their use of our services without penalty. These terminations, reductions or delays could result from factors unrelated to our work product or the progress of the project, such as factors related to business or financial conditions of the client, changes in client strategies or the domestic or global economy generally. When contracts are terminated, for whatever reason, we lose the associated revenues, and we may not be able to eliminate associated costs in a timely manner. There is a risk that we could experience significant contract terminations that adversely affect our revenue and profit margins.

The IT services industry, in the U.S. and internationally, is highly competitive, with increased focus on offshore capability and we may not be able to compete effectively.

We operate in a highly competitive industry that includes a large number of participants. We currently compete principally with other IT professional services firms and technology vendors, including a variety of large multinational providers and large offshore service providers that offer some or all of the services that we offer, as well as many niche solution or service providers that compete with us in a specific geographic market, industry segment or service area. Many of the companies that provide services in our industry have significantly greater financial, technical, offshore and marketing resources than we do. In addition, a client may choose to use its own resources rather than to engage an outside firm for the type of services that we provide. Additionally, some of our competitors, particularly those located in regions with lower costs of doing business, may be able to provide services and solutions to clients at lower costs or on more attractive terms. Increased competition has, and may continue to, put downward pressure on the prices we can charge for our services. For example, as further discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations, the significant client that accounted for 9% of total International division revenue in 2011 has reduced the level of services purchased from us and, as a result, we believe that the revenue from this client will be significantly less in 2012. In particular, our ability to

Table of Contents

improve our profitability is related to our ability to move additional work to our lower-cost, offshore Global Solutions Centers and, specifically, to expand our presence in India and to integrate India into our services delivery.

Our marketplace is experiencing rapid changes in its competitive landscape. Some of our competitors have sought access to public and private capital and others have merged or consolidated. A possible consequence of the consolidation activity among hardware manufacturers, software developers and vendors and IT service providers may be greater convergence of products and services that were once offered separately by independent vendors. This possible integration of products and services could adversely affect our competitive position.

We may be unable to compete successfully with current or future competitors, and our revenue and profitability may be adversely affected.

Our new Credit Agreement, an asset-based and term loan facility, limits our operational and financial flexibility; we also face the need to comply with covenants in our Credit Agreement.

We and certain of our European subsidiaries have entered into the Credit Agreement that provides for (1) an asset-based revolving line of credit of up to $60 million, with the amount available for borrowing at any time under such line of credit determined according to a borrowing base valuation of eligible account receivables, and (2) a $7.5 million term loan to Ciber. Ciber s obligations under the Credit Agreement are secured by substantially all the assets of Ciber and its subsidiaries, and the obligations of the European subsidiary borrowers under the Credit Agreement are secured by substantially all the assets of Ciber and such subsidiaries.

We are dependent on our asset-based revolving credit facility to fund operations, and access to our asset-based facility is dependent on, among other things, the borrowing base valuation of eligible account receivables, the absence of a default under the Credit Agreement, including any default arising from a failure to comply with the financial and other covenants in the facility. The amount available for borrowing under the Credit Agreement could be significantly reduced if there is a reduction in our eligible accounts receivable. Any loss or material reduction of our ability to access funds under the Credit Agreement could materially and negatively impact our liquidity.

Our ability to remain in compliance with our covenants under our Credit Agreement, to maintain an adequate borrowing base valuation and to make future principal and interest payments in respect of our debt depends on, among other things, our operating performance, competitive developments and economic conditions, all of which are significantly affected by financial, business, competitive, economic and other factors. We are not able to control many of these factors. There is an increased risk regarding our ability to maintain compliance with our debt covenants due to the impact that the current global economy, exchange rates, internal reorganizations and other factors have on creating unpredictable variances in our revenues, operating results and profitability, which may also cause increased volatility in our stock price.

The Credit Agreement includes, among other provisions, specific limitations on indebtedness, liens, investments, guarantees, mergers, dispositions, acquisitions, liquidations, dissolutions, issuances of securities, payments of dividends, loans and advances, and transactions with affiliates. Additionally, the Credit Agreement requires us to maintain certain financial covenants, including a minimum trailing 12-month EBITDA, a minimum trailing 12-month fixed charge coverage ratio and a minimum trailing 12-month leverage ratio.

The Credit Agreement replaces our prior senior credit facility under which we completed a series of amendments and waivers during 2010 and 2011, in order to obtain relief from covenant violations and to revise various financial covenants. If we require amendments to the Credit Agreement in the future and are unable to obtain such amendments, we face the risk of failure to comply with the financial and other covenants under the Credit Agreement, which would likely cause a default under the Credit Agreement. A default, if not waived or cured by amendment, could cause our debt to become immediately due and payable and terminate our ability to draw upon the funds under the Credit Agreement. In such a situation, we may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not contain terms acceptable to us. This could materially adversely affect our results of operations and financial condition. Additionally, if we needed to obtain a waiver under, or an amendment to, the Credit Agreement in the future, or if we seek other financing, if available, our cost of borrowing would be likely to significantly increase (including higher interest rates) and we could face more restrictive covenants.

Table of Contents

We may not complete the sale of certain contracts and the related assets of our information technology outsourcing practice, or complete the sale within the timeframe we anticipate, or on the terms currently negotiated.

On July 28, 2012, we entered into an agreement to sell certain contracts and the related assets and to transfer the personnel associated with our information technology outsourcing practice to Savvis Communications Corporation (Savvis) for an initial purchase price of $7 million in cash. In addition, we are entitled to receive additional future consideration of up to $13 million, which is mainly dependent upon the post-closing success of the transferred customer contracts to be measured based on December 2013 results, with the final amount, if any, to be determined and paid during the first quarter of 2014. The closing of the sale is expected to occur within 60-90 days of the agreement date, and is subject to a number of closing conditions, including, among others, the requirement that we obtain numerous consents to the transaction from customers and other third parties. If we fail to meet all conditions to closing and Savvis does not waive such conditions, the sale of these contracts and related assets and the transfer of personnel associated with our information technology outsourcing practice will not be completed. Additionally, there can be no assurances that Savvis will not seek to renegotiate the purchase price or other terms of the sale or that adjustments pursuant to the agreement will not reduce our proceeds from the sale.

Possible post-closing adjustments to the purchase price on the sale of our former Federal division could reduce the purchase price and cause us to recognize a loss on that sale.

On March 9, 2012, we sold substantially all of the assets and certain liabilities of our Federal division to CRGT Inc. for an aggregate sales price of $40 million, subject to adjustment based on the final determination of the working capital of the Federal division at the time of closing. CRGT has proposed certain working capital adjustments to reduce the purchase price by approximately $6 million. We disagree with such adjustments, and have invoked the dispute resolution mechanism under the sale agreement. At this time, we cannot estimate the outcome of this dispute; however, such dispute could lead to a reduction in the purchase price, an increase in our expenses related to the transaction, and result in the recognition of a loss on the sale, as well as impact our cash balances. We expect to resolve this dispute during the second half of 2012. We will record the impact of any adjustments on the determination of the gain on sale when such amount, if any, is probable and estimable.

We may experience declines in revenue and profitability if we do not accurately estimate the cost of engagements conducted on a fixed-price basis.

Although the percentage may vary from year to year, approximately 20-25% of our total services revenue in 2011 was from engagements performed in accordance with fixed-price contracts. When making a proposal or managing a fixed-price engagement, we rely on our estimates of costs and timing for delivering our services, which might be based on limited data and could be inaccurate. These estimates reflect our best judgment regarding the efficiencies of our methodologies and consultants as we plan to apply them to the engagement. If we do not accurately estimate our costs and timing for completion of projects, our contract could prove unprofitable or yield a profit margin that is lower than expected.

Some fixed-price engagements are long-term contracts of three to five years and estimating future year costs on such engagements is extremely difficult and subject to additional risks. Often our cost estimates and pricing from outsourcing projects anticipate long-term cost savings from transformational and other initiatives that we expect to benefit from over the term of the outsourcing contract. There is a risk that we will fail to accurately estimate the costs of performing our services, and that we will under price our contracts causing an adverse effect on our profits.

Losses, if any, on fixed-price contracts are recognized when the loss is determined. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside of our control, could make these contracts less profitable or unprofitable and may affect the amount of revenue reported in any period.

For example, in the second quarter of 2011, we made approximately $13.4 million in revenue adjustments in our North America division for significant changes in estimates related to costs or scope on five fixed-price projects.

Our business could be adversely affected if our clients are not satisfied with our services, and we could face damage to our professional reputation and/or legal liability.

As a professional services firm, we depend largely on our relationships with our clients and our reputation for high-quality professional services and integrity to attract and retain clients. Additionally, many of our engagements involve projects that are critical to the operations of our clients businesses and many involve the protection of confidential client information. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, or if a data security breach occurs, we could incur additional costs to address the situation, the profitability of that work might be impaired, and the client s dissatisfaction with our services could damage our ability to obtain additional work

Table of Contents

from that client. Clients that are not satisfied may also seek to terminate our contracts. In addition, negative publicity related to our client relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts with current and prospective clients.

If we do not meet our contractual obligations to a client, we could be subject to legal liability. Our contracts typically include provisions to limit our exposure to legal claims relating to our services and the applications we develop; however, these provisions may not protect us, or may not be enforceable under some circumstances or under the laws of some jurisdictions. We may enter into non-standard agreements because we perceive an important economic opportunity or because our personnel did not adequately adhere to our guidelines. We may find ourselves committed to providing services that we are unable to deliver or whose delivery will cause us financial loss. If we cannot or do not fulfill our obligations, we could face legal liability. Although we maintain professional liability insurance, the policy limits may not be adequate to provide protection against all potential liabilities. In addition, if we were to fail to properly deliver on a project, we may not be able to collect any related accounts receivable or could even be required to refund amounts paid by the client.

If we are not able to anticipate and keep pace with rapid changes in technology, our business will be negatively affected.

Our success depends on our ability to develop and implement technology services and solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis, and our services and solutions may not be successful in the marketplace. In addition, services, solutions and technologies developed by current or future competitors may make our service or solution offerings uncompetitive or obsolete. Any one of these circumstances could adversely affect our ability to obtain and successfully complete client engagements.

Our international operations are susceptible to different financial and operational risks than our domestic operations.

We have continued to expand our international operations and estimate that our foreign offices currently represent approximately half of our total revenue. We operate in over 15 foreign countries. Due to our international operations, we are subject to a number of financial and operational risks that may adversely affect our revenue and profitability, including:

- the costs and difficulties related to managing geographically diverse operations;
- foreign currency exchange rate fluctuations (discussed in more detail below);
- differences in, and uncertainties arising from, changes in foreign business culture and practices;
- restrictions on the movement of cash and the repatriation of earnings;

- multiple and possibly overlapping or conflicting tax laws;

- the costs of complying with a wide variety of national and local laws;

- operating losses incurred in certain countries and the non-deductibility of those losses for tax purposes; and

- differences in, and uncertainties arising from, changes in legal, labor, political and economic conditions, as well as international trade regulations and restrictions, and tariffs.

The revenues and expenses of our international operations generally are denominated in local currencies. Accordingly, we are subject to exchange rate fluctuations between such local currencies and the U.S. dollar. These exchange rate fluctuations subject us to currency translation risk with respect to the reported results of our international operations. There can be no assurance that we will not experience fluctuations in financial results from our operations outside of the U.S., and there can be no assurance that we will be able, contractually or otherwise, to reduce the currency risks associated with our international operations. We manage our exposure to changes in foreign currency exchange rates through our normal operating and financing activities and, when deemed appropriate, with derivative financial instruments. There is no assurance that we will continue to use such financial instruments in the future or that any such use will be successful in managing or controlling foreign currency risks.

We have experienced and may continue to experience material impacts to revenues and earnings due to fluctuations in foreign currency rates, and in addition, these impacts may cause material fluctuations in our revenues and earnings from period to period. Significant strengthening or weakening of the U.S. dollar against currencies like the Great Britain Pound and the Euro may materially impact our revenue and profits. As we expand our presence in India, we will have increased exposure to

Table of Contents

fluctuations between the Indian Rupee and the U.S. dollar. In addition, we have transactions with clients, as well as inter-company transactions between our subsidiaries, that cross currencies and expose us to foreign currency gains and losses. These types of events are difficult to predict and may recur.

We intend to increase our presence in India, which may expose us to operational risks.

To enhance our global offshore delivery structure, we plan to continue to grow the scope of our operations in India over the next 12-18 months. As of June 30, 2012, we had approximately 1,300 employees in India. Concentrating our global offshore delivery structure in India presents a number of operational risks, many of which are beyond our control. India has experienced severe weather, political instability, worker strikes and terrorist attacks. These types of events may impair the ability of our people to safely travel to, and work in, our facilities in India. Our business continuity and disaster recovery plans may not be effective, particularly if catastrophic events occur. If any of these circumstances occurs, it may impact our ability to communicate with our personnel and clients in other locations. In addition, down-time in any processes operated for clients may adversely affect our operations and reputation.

Our revenues, operating results and profitability will vary from quarter to quarter, which may impact our ability to comply with our debt covenants, and may also result in increased volatility in the price of our stock.

Our quarterly revenues, operating results and profitability have varied significantly in the past, making them difficult to predict. This has led to volatility in the price of our stock. Our goal is to deliver more sustained, predictable performance in the future; however, there are factors that have caused and may continue to cause variations in our revenues, operating results and profitability, such as:

- the business decisions of our clients regarding the use of our services;
- the stage of completion of existing projects and/or their termination;
- client satisfaction with our services;
- our clients financial ability to pay for our services;
- our ability to properly manage and execute client projects, especially those under fixed-price arrangements;

- our ability to properly price fixed-price contracts to provide for adequate profits;
- our ability to maintain our profit margins and manage costs, including those for personnel and support services;
- acquisition and integration costs related to possible acquisitions of other businesses;
- costs related to the Federal division activities previous to the sale;
- costs or charges associated with potential asset sales or dispositions;
- changes in, or the application of changes in, accounting principles or pronouncements under U.S. generally accepted accounting principles;
- changes in significant accounting estimates;
- changes in interest rates on our debts;
- currency exchange rate fluctuations;
- changes in estimates, accruals or payments of variable compensation to our employees; and
- global, regional and local economic and political conditions and related risks.

Table of Contents

Our profit margin, and therefore our profitability, is a function of the rates we charge for our services and the utilization rate, or chargeability, of our consultants. Accordingly, if we are not able to maintain the rates we charge for our services or an appropriate utilization rate for our consultants, we will not be able to sustain our profit margin and our profitability will suffer. A number of factors affect the rates we charge for our services, including:

- our clients perception of our ability to add value through our services;
- changes in our pricing policies or those of our competitors;
- the introduction of new products or services by us or our competitors;
- the use of globally-sourced, lower-cost service delivery capabilities by our competitors and our clients; and
- economic conditions in the U.S. and abroad.

Additionally, a number of factors affect our utilization rates, such as:

- seasonality, including number of workdays, holidays and vacations;
- our ability to transition consultants quickly from completed projects to new engagements;
- our ability to forecast demand for our services and thereby maintain an appropriately balanced and sized workforce; and
- our ability to manage employee turnover.

As a services business, our largest expense is salaries and payroll-related expenses. However, it is our skilled employees that generate our revenues. Balancing our workforce levels against the demands for our services is extremely difficult in troubled economic times. Delays or cutbacks in projects or delays in finding new projects increase the non-productive time of our consultants which decrease our utilization levels

and our margins. We generally cannot reduce our labor costs as quickly as negative changes in revenue can occur. In addition, in a number of the foreign countries in which we operate, the local labor regulations make it very expensive to involuntarily terminate employees. As a result, our foreign operations will often retain underutilized employees for longer periods than our domestic operations.

A data security or privacy breach could adversely affect our business.

The protection of client, employee and company data is critical to the Company. We have ongoing processes to assess and mitigate risks including intrusion prevention systems and training tools to educate employees on information security and data privacy risks before deployment to client engagements. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. Our risk management techniques are continuing to evolve in response to these changing requirements. In addition, our clients have a high expectation that we will adequately protect their confidential information. Protection of client, employee and Company data, along with compliance in the constantly changing regulatory environment may add expenses to our business operations. We are required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in system disruptions, negative publicity, legal liability, monetary damages and damage to our reputation.

If we are unable to collect our receivables, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients for the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain allowances against receivables, but actual losses on client balances could differ from those that we currently anticipate and as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the

creditworthiness of our clients. In addition, timely collection of client balances depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. Recent global economic conditions and other factors resulted in financial difficulties for a number of our clients and, consequentially, we experienced a greater amount of bad debt expense.

If we are unable to meet our contractual requirements, we might experience delays in the collection of, and/or be unable to collect, our client balances and, if this occurs, our results of operations and cash flows could be adversely affected.

Our future success depends on our ability to continue to retain and attract qualified sales, delivery and technical employees.

Our business involves the delivery of professional services and is highly labor intensive. Our future success depends upon our ability to continue to attract, train, effectively motivate and retain highly-skilled technical, managerial, sales and marketing personnel. Although we invest significant resources in recruiting and retaining employees, there is often considerable competition for certain personnel in the IT services industry and as a result, employee turnover is generally high. From time to time, we have trouble locating enough highly-qualified candidates that are in our desired geographic locations, with the required specific expertise or at the desired compensation levels. The inability to attract and retain qualified employees in sufficient numbers could have a serious negative effect on us, including our ability to obtain and successfully complete important client engagements and thus, maintain or increase our revenues. Such conditions could also force us to resort to the use of higher-priced subcontractors, which would adversely affect the profitability of the related engagement. Our ability to attract and retain qualified personnel in India will become increasingly important as we implement our plans to expand our Global Solutions Center in India and increase the number of employees working there.

In addition, we believe that there are certain key employees within the organization, primarily in the senior management team, who are important for us to meet our objectives. Due to the competitive employment nature of our industry, there is a risk that we will not be able to retain these key employees. The loss of one or more key employees could adversely affect our continued growth. In addition, uncertainty created by turnover of key employees could result in reduced confidence in our financial performance, which could cause fluctuations in the price of our securities and result in further turnover of our employees.

We could incur additional losses due to further impairment in the carrying value of our goodwill.

We have recorded a significant amount of goodwill on our consolidated balance sheet as a result of numerous acquisitions. At June 30, 2012, the carrying value of our goodwill was $273.6 million. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. We are required to test goodwill for impairment annually and do so during the second quarter of each year, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our reporting units below its book value. These determinations are based in part on several factors, including our judgments regarding the cash flow potential of each of our business units and involve projections that are inherently subject to change based on future events. A significant downward revision in the fair value of one or more of our business units that causes the carrying value to exceed the fair value, as determined based on discounted future cash flows of the related business, will cause goodwill to be considered impaired, and would result in a non-cash impairment charge in our consolidated statement of operations.

During the quarter ended December 31, 2011, we recorded a goodwill impairment charge within discontinued operations of $27.4 million to write-down the Federal division s goodwill to estimated fair value and, as of June 30, 2011, we performed our annual test for goodwill impairment and as a result, we recorded a goodwill impairment charge of $16.3 million related to our IT Outsourcing division. This occurred following our June 2010 goodwill impairment charges of $82.0 million and $30.0 million related to our North America and Federal divisions, respectively, which also resulted from our annual goodwill impairment testing. The forecasts utilized in the discounted cash flow analysis as part of our impairment test assume future revenue and profitability growth in each of our divisions during the next five years and beyond. If our operating divisions cannot obtain, or we determine at a later date that we no longer expect them to obtain the projected levels of profitability, future goodwill impairment tests may also result in an impairment charge. There can be no assurances that our operating divisions will be able to achieve our estimated levels of profitability. Given fluctuations in the global economic conditions affecting our industry and impacting our clients and their use of our services, we cannot be certain that goodwill impairment will not be required during future periods.

Table of Contents

We depend on contracts with various state and local government agencies for a significant portion of our revenue and, if the spending policies or budget priorities of these agencies change, we could lose revenue.

In 2011, approximately 13% of our total revenue was from public sector clients, including state, local and foreign governments and agencies. The market for our services depends largely on legislative programs and the budgetary capability to support programs, including the continuance of existing programs. These programs can be modified or amended at any time by acts of such governments. Moreover, a number of state and local governments and agencies are suffering from significant budget shortfalls, which may result in curtailment of spending on consulting and technology services. A reduction in spending at the state or local level could negatively impact our operations, revenue and profitability.

Additionally, government contracts contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. Among other things, governments may terminate contracts with short notice for convenience, as well as for default, and may cancel multi-year contracts if funds become unavailable. Cancellation or reduction in price or scope could limit our ability to recover incurred costs, reimbursable expenses and profits on work completed prior to the termination. If insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully recover our investments.

Unfavorable government audits could require us to adjust previously reported operating results, to forego anticipated revenue and subject us to penalties and sanctions.

The government agencies we contract with and the federal agencies that our Federal division contracted with, generally have the authority to audit and review our contracts with them. As part of that process, the government agency reviews our performance on the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. Although we sold our Federal division, we remain responsible for any audits related to work performed prior to the sale. An audit of our work, including an audit of work performed by companies we have acquired or may acquire, could result in a substantial adjustment to our previously reported operating results. For example, any costs that were originally reimbursed could be subsequently disallowed. In this case, cash we have already collected may have to be refunded and operating margins may be reduced.

If a government audit uncovers improper or illegal activities by us, or we otherwise determine that these activities have occurred, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or disqualification from doing business with the government. Any unfavorable determination could adversely affect our ability to bid for new work with one or more jurisdictions.

Our services or solutions could infringe upon the intellectual property rights of others, or we might lose our ability to utilize rights we claim in intellectual property or the intellectual property of others.

We cannot be sure that our services and solutions, or the solutions of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we could have infringement claims asserted against us or against our clients. These claims could harm our reputation, cost us money and prevent us from offering some services or solutions. In a number of our contracts, we agree to indemnify our clients for expenses or liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client. Any claims or litigation in this area, whether we

ultimately win or lose, could be time-consuming and costly, injure our reputation or require us to enter into royalty or licensing arrangements. We might not be able to enter into these royalty or licensing arrangements on acceptable terms. If a claim of infringement were successful against us or our clients, an injunction might be ordered against our clients or our own services or operations, causing further damages. We could lose our ability to utilize the intellectual property of others. Third-party suppliers of software, hardware or other intellectual property assets could be acquired or sued, and this could disrupt use of their products or services by us and our clients. If our ability to provide services and solutions to our clients is impaired, our operating results could be adversely affected.

In addition, if we are unable to capture the intellectual capital developed by our employees and convert such intellectual capital into reusable and commercially marketable intellectual property, our costs of delivering our services may increase, our development efforts may be duplicated and we may lose the economic advantage of owning and licensing Ciber intellectual property.

Table of Contents

We have adopted anti-takeover defenses that could make it difficult for another company to acquire control of Ciber or limit the price investors might be willing to pay for our stock, thus affecting the market price of our securities.

We have adopted a Rights Agreement, commonly known as a poison pill, under which each shareholder of the Company holds one share purchase right, which we refer to as a Right, for each share of Company common stock held. The Rights become exercisable upon the occurrence of certain events and may make the acquisition of our Company more difficult and expensive. In addition, our certificate of incorporation and bylaws each contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors, including a provision that gives our board of directors the ability to issue preferred stock and determine the rights and designations of the preferred stock at any time without shareholder approval. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock by our board of directors pursuant to our certificate of incorporation could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of Ciber.

In addition, the staggered terms of our board of directors could have the effect of delaying or deferring a change in control. These provisions could limit the price that investors might be willing to pay in the future for our securities and as a result, the price of our securities could decline.

The above factors and certain provisions of the Delaware General Corporation Law may have the effect of deterring hostile takeovers or otherwise delaying or preventing changes in the control or management of Ciber; this could adversely affect transactions in which our shareholders might otherwise receive a premium over the then-current market price for their Ciber securities.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date Filed
3.1	Restated Certificate of Incorporation of Ciber, Inc.	10-Q	001-13103	11/7/2005
3.2	Amended and Restated Bylaws of Ciber, Inc. as adopted February 15, 2001; Amendment to the Amended and Restated Bylaws of Ciber, Inc. as adopted February 18, 2003; Amendment to the Amended and Restated Bylaws of Ciber, Inc. as adopted May 3, 2005; Amendment to the Amended and Restated Bylaws of Ciber, Inc., as adopted February 25, 2009	10-K	001-13103	3/5/2009
3.3	Amendment to the Amended and Restated Bylaws of Ciber, Inc., as adopted June 2, 2010	10-Q	001-13103	8/5/2010
10.1	Credit Agreement, by and among Ciber, Inc., as U.S. borrower, certain foreign subsidiaries of Ciber, Inc., as European borrowers, Wells Fargo Bank, N.A., as administrative agent, lead arranger, sole arranger, sole book runner and U.K. security trustee, and the lenders from time to time party thereto, dated as of May 7, 2012.	8-K	001-13103	5/8/2012
10.2	Guaranty and Security Agreement, by and among Ciber, Inc. and certain subsidiaries of Ciber, Inc., in favor of Wells Fargo Bank, N.A., in its capacity as administrative agent, dated May 7, 2012.	8-K	001-13103	5/8/2012
10.3*	Ciber, Inc. Employee Stock Purchase Plan, as amended and restated May 9, 2012	8-K	001-13103	5/10/2012
10.4	Asset Purchase Agreement by and between Ciber, Inc. and Savvis Communications Corporation, dated July 28, 2012		Filed herewith	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
32.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		Furnished	
32.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		Furnished	
101.INS**	XBRL Instance Document		Furnished	
101.SCH**	XBRL Taxonomy Extension Schema Document		Furnished	
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document		Furnished	
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document		Furnished	
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document		Furnished	
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document		Furnished	

* Indicates a management contract or compensatory plan or arrangement.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be furnished and not filed.

Table of Contents

SIGNATURES

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

CIBER, INC.
(Registrant)

Date: August 7, 2012

By /s/ David C. Peterschmidt
David C. Peterschmidt
President and Chief Executive Officer

By /s/ Claude J. Pumilia
Claude J. Pumilia
Executive Vice President, Chief Financial Officer and Treasurer