2005
Annual Report

# Providing Solutions That Meet Customer Needs

# Company Profile

CTG (NYSE:CTG) applies vertical market knowledge to design technology solutions that work. In 2005, CTG began our 40th year of delivering information technology (IT) services that provide real business value to our customers. Our fully integrated array of IT staffing, application management outsourcing, and industry-focused IT solutions is backed by a time-tested suite of formal methodologies, a proprietary database of best practices, and an international network of strategic alliances and partnerships. Our 3.600 business and IT experts, based in an international network of offices in North America and Europe, help our clients use IT to achieve their business objectives.

# Mission

CTG's mission is to provide IT services and solutions that add real business value to our customers while creating professional opportunities for our employees and value for our shareholders.

# Vision

CTG's vision is to be recognized as a leading provider of value-added IT services and solutions in our selected markets.

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James R. Boldt,
Chairman and
Chief Executive
Officer

# Dear Fellow Shareholders

2005 marked a very solid return to growth for CTG. Revenues for the year, led by a significant expansion of our staffing business, increased by 24 percent to $294.5 million, our strongest sales results in the last four years. With this growth, CTG's headcount also increased dramatically, rising 1,100 employees from 2,500 at year-end 2004 to 3,600 at year-end 2005, a 44 percent increase. Notably, our growth in 2005 was entirely organic, accomplished without an acquisition as we secured a significant piece of new staffing business from an existing client. From a magnitude perspective, adding this new business was comparable to making an acquisition, and we incurred the associated transition costs as operating expenses in 2005.

CTG's net income for 2005 was $2.4 million, or $0.14 per diluted share, compared with a net loss of $1.4 million, or $0.08 per diluted share for 2004. The 2004 net loss included a $4.4 million loss from discontinued operations resulting from our divestiture of our operations in the Netherlands, which was offset in part by $1.7 million in tax benefits. Indicative of the growth in the underlying profitability of our business, CTG's operating income increased by 59 percent in 2005 to $4.9 million.

In 2005, we also invested in our solutions business with a focus on high demand solutions that support the current and emerging needs of the major vertical markets we serve. The investments in our more profitable solutions business position us to rebuild margins while meeting the growing needs of our customers. In returning the company to a growth mode, we are doing so in a conservative and focused way, recognizing that demand for IT services is growing, but the market is not fully stabilized. Demand for staffing support returned to sustained normal levels in mid-2004, but the solutions market, while improving, is not yet at what most would consider a normal level.

Since forming our solutions development group in January of 2005, we are focusing on developing and providing offerings in the higher demand solutions of testing, information security, and development and integration. In addition, we continue to expand our suite of staffing solutions and develop customized solutions based on client needs that leverage our technology expertise and industry knowledge. The significant new business we added this year enhanced our staffing business model and our ability to provide high volume customers with responsive and cost-effective support at pre-established rates. A significant contributor to our increased staffing strength in 2005 was our investment in a new recruitment system that performs automated identification of best candidates in significantly less time than a recruiter could perform the same task. This technology significantly enhances the productivity of our model and enables us to provide large staffing customers with faster support at a lower cost. We believe that our business model positions CTG as the best external technology staffing provider in the market for large staffing customers and see further opportunity to grow this business with current and new clients.

CTG's unique capabilities also position us very well in the marketplace for our expanding solutions offerings. In the United States, demand is growing at a brisk pace for autonomous testing of applications as companies recognize the value of independent testing in application development and implementation. Independent testing has been established in Western Europe for several years and consequently CTG Europe already has a robust testing methodology and practice. In expanding our domestic testing offering, we imported this well-developed methodology into our U.S. operations. Our testing experience and expertise differentiates CTG in the U.S. market and it contributed to the growth in our U.S. testing work in 2005. We expect this growth to accelerate in 2006. From a vertical market perspective, our testing experience in the United States and Europe is especially deep in the pharmaceutical industry. CTG already provides testing support to several of the leading global drug companies and we look for further growth of this business in 2006.

CTG also stands out as a systems implementer and integrator in the healthcare market. In 2005, our healthcare IT practice was ranked as the leading implementer of acute care clinical IT systems in the KLAS Enterprises* "Top 20: 2005 Mid-Year Report Card" issued in June, 2005. Receiving this highly respected independent designation coincided with a significant increase in our proposal activity for healthcare IT systems. As a result, going into 2006, we have a strong pipeline of systems implementation work for healthcare providers. We are also expanding the focus of our healthcare business into the payer market, which nationwide is a very large segment. Our knowledge of hospital and payer markets enables CTG to customize systems producing process improvements and cost savings for both providers and payers.

In our healthcare business, we launched a new modular methodology Exemplar® Clinical Transformation in 2005. This new offering supports the growing market in healthcare for clinical transformation solutions which is a process where healthcare providers seek medical, operational and financial improvements through redesign of clinical operations and practices and the upgrade of IT systems and capabilities. In 2005, our healthcare group also launched CTGHS Children's Healthcare Services, its first practice tailored to a specialty healthcare market. The focus of this specialty practice, the first of several planned, is to address the complex issues involved in adapting processes and systems designed for adults to a pediatric healthcare environment.

In the second quarter of 2004, we began supporting several prime providers for the National Health Services project in the United Kingdom. This multi-year project to implement new technology to support the British health system is currently the largest single healthcare technology project in the world today. While the project was delayed for the latter part of 2005, it resumed in the first quarter of 2006, and we look for a significant revenue contribution from these engagements in the second half of 2006.

Longer term, we believe that there is a major opportunity in Europe for our healthcare business as other European countries watch the British modernization of its system and follow with the updating of their own systems to reduce costs. With an established European presence and our experience as a participant in the United Kingdom modernization of its healthcare IT systems, CTG has a valuable reference to tap the significant potential market for this work in Western Europe.

Information security is another solutions set where demand is growing rapidly and CTG has made significant investments in building our capabilities. Over the last two years, we have expanded our information security practice to include offerings supporting Sarbanes-Oxley (SOX) compliance and identity theft. This year we became one of a few vendors certified by VISA® to support its Cardholder Information Security Program (CISP), which mandates rigorous information security standards for VISA members, merchants and service providers. CISP certification significantly increases our prospects of additional business from banks and retailers. We see opportunity to further increase our SOX business, which is targeted to smaller companies, as the extended 2007 compliance deadlines for our target markets draw closer. In 2005, we also added internal and IT audit services to our SOX offerings. Several clients are using us for quarterly SOX audit support and we look to expand that business in 2006.

We remain focused on reinvigorating our application management outsourcing (AMO) business. We are responding to the competitive challenge of offshore outsourcing by being strategic and flexible in our approach to meeting the offshore needs of our clients. For example, we won an offshore outsourcing project from a large energy company and performed very successfully by using Russian-based IT talent, recognizing that the industry expertise critical to effective development of the application was better found in Russia than India, the traditional go-to location for offshore. We also adopted a new



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hybrid AMO model in partnership with Polaris Software Lab that offers the value-add of onshore management and client interface with offshore development and support.

From a domestic perspective, we have shifted our AMO focus to transitional outsourcing, providing support for sunsetting applications, which often is not economical using an offshore model due to the shorter-term nature of these engagements. Demand for transitional outsourcing is growing quickly, particularly in the healthcare market as providers upgrade to new systems.

As we expand our solutions capabilities, we are doing so with an eye to developing offerings that meet the needs of the major verticals we sell into. From a sales and delivery perspective, this approach best leverages and focuses our existing client relationships and our industry knowledge and expertise. Almost three-quarters of our revenues come from our four major vertical markets: technology service providers, healthcare, life sciences and financial services. This approach will also support our longer-term goal of moving our staffing and solutions business mix back to 50/50 percent from the current 70/30 percent mix.

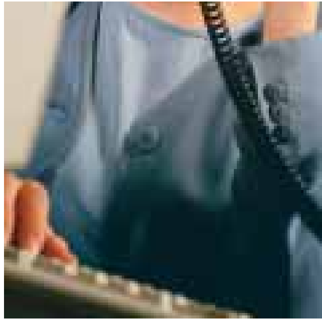
In January of 2006, we adopted FASB Statement No. 123R, *Share-Based Payment* (FAS No. 123R), which will record compensation expense associated with stock options in our quarterly income statement. Like many other companies, in anticipation of this event, our Board of Directors approved in late 2005 the acceleration of the vesting of all unvested out-of-the-money stock options. The effect of this acceleration will reduce the estimated impact of adopting FAS No. 123R on 2006 earnings by three to four cents per diluted share.

As 2006 begins, we are excited about the growth potential we are seeing in our markets and the value our 3,600 professionals bring to our current and potential clients. We are also confident that our strategy and investments position us well to capitalize on these opportunities while continuing to improve our financial performance. In certain areas, our largest challenge in the upcoming year will be to keep up with demand. Anticipating that challenge, we selectively began to expand our sales and sales support organization in the latter part of 2005. Our other major challenge in 2006 and beyond will be to improve margins. With the integration of our expanded staffing business behind us and our focus on increasing the more profitable solutions mix of our business, we believe we are poised for margin improvement in 2006.

Overall, this year was a very good start to a turnaround in CTG's business and a stronger one than most of our direct competitors in the industry achieved. In fact, CTG's 2005 revenue growth rate of nearly 25 percent significantly surpassed the technology spending growth rate. We are looking to again increase revenue at a double-digit rate in 2006 and believe that to be a realistic goal for us this year. The further growth in our staffing business in the second half of 2005 and the growing customer need and demand for our expanded solutions offerings put us on a good track to achieve that objective. We particularly see significant new business opportunities in our staffing and healthcare practices, our two largest businesses.

We look forward to continuing our growth momentum in 2006 and to making further improvements in our margins and financial performance, which ultimately are the key to increasing CTG's value. Your continued confidence and support is greatly appreciated.

James R. Boldt, Chairman and Chief Executive Officer



# Staffing

CTG's Strategic Staffing business manages the acquisition, deployment, administration, and ongoing management of technical resources for Global 1000 customers, including major technology service providers who aggregate IT talent for large-scale engagements. CTG's staffing model provides the industry's most responsive, lowest cost, and highest quality fulfillment of technical resources on a national level. CTG has extensive experience in the delivery of staffing services that consists of a team-based approach which leverages our national recruiting abilities to rapidly fulfill high volume, diverse requisitions for multiple sites at pre-determined rates. In 2005, we implemented a state-of-the-art human resource application to provide our recruiting and management organizations with the latest innovative technology on the market to enhance efficiencies and cost savings which assist in maintaining an innovative edge. We added operations in several key U.S. markets last year to support an existing client's large-scale requirements and to expand our staffing business with other large companies in those markets. The strength of CTG's strategic staffing model enables us to provide efficiencies and cost savings for large national accounts within the Global 1000.

## Technology Service Providers

A major information technology service provider sought the next innovation beyond a reduced preferred supplier strategy for efficiencies and cost savings in procuring technical resources. This innovation required national support throughout the United States. CTG was awarded this sole source business based on our track record supporting the client, our industry wide staffing experience, a customized program, and proven transition methodology. CTG was able to offer our client streamlined sourcing and management of technical resources, a paperless automated time and expense system, and significant cost reductions through economies of scale without affecting employee compensation and benefits. We minimized turnover for an overall retention success rate in excess of 98 percent. CTG also met our client's ongoing service needs with our field service staff combined with our account management and recruiting organizations for five major and several secondary sites. The functional areas CTG supports are project/program management, application development and maintenance, product development, implementation, testing/quality assurance, design, engineering, infrastructure, technical writing, help desk and desk-side support. As a result of this new strategic staffing business, CTG increased its headcount by over 1,000 in 2005.

Tom Conger,
Managing Director
*A CTGer since 1999*

Taralu Green,
Account Manager
*A CTGer since 2005*

## Financial Services

To streamline process while achieving cost savings, one of the world's largest financial services companies launched a new program to procure external IT talent through the reduction of the number of its preferred suppliers by 75%. CTG remained a preferred supplier by using our deep understanding of our client's business, organization and needs and having a dedicated team to support this client. Our focused approach and ability to obtain highly qualified consultants with complex skill requirements at competitive rates enabled us to deepen this longtime relationship and further enhance our value as a business partner.

Carolyn Balkin,
Account Executive
*A CTGer since 1996*

## Technology Service Providers/Healthcare

A major international professional services firm leading the EPIC implementation for a health maintenance organization (HMO) chose CTG HealthCare Solutions (CTGHS) as its partner for this $15 million three-year project. CTGHS was selected based on our clinical system expertise and proven ability to staff implementations with qualified implementation support with healthcare experience. We provided a team of 30 consultants to support our partner on this engagement. Our performance supporting the EPIC implementation significantly expanded our relationship with the lead provider resulting in significant additional work with other clients. Among the EPIC projects CTGHS supported was the implementation of an electronic medical record system for pediatric patients that was recognized by the HMO for excellence in combining innovation with existing system functionality.

Ralph Rigaud,
Consultant
*A CTGer since 2004*

Above: Staffing success stories and key CTG professionals contributing to each project's success

# Development and Integration Solutions

CTG provides comprehensive development and integration (D&I) solutions that encompass planning, design, implementation, and maintenance for a diverse range of clients from mid-size enterprises to Global 1000 companies. Our experts in competency areas such as total customer care, manufacturing and logistics, and enterprise application integration are teamed with vertical industry specialists to define each client's organization and unique situation and examine its current technology, application portfolio, and data architecture. CTG has developed and integrated D&I solutions for all the major operating platforms using a variety of software tools and packages, so our approach to application integration is both product and platform neutral. Our expertise in all the commonly used middleware products allows us to focus on our client's business needs first and then identify the technologies most appropriate to those specific requirements. CTG's D&I capabilities are enhanced by our ISO 9001:2000 certified methodologies and a formal assessment for the Software Engineering Institute's Capability Maturity Model (CMM). CTG's current activity in systems integration work is strongest in the healthcare vertical reflecting growing demand in this market for updated and linked systems.

## Healthcare

After experiencing delays and difficulties with its original implementation provider, a 200-plus bed children's hospital enlisted CTG HealthCare Solutions (CTGHS) to assist in implementing the Cerner HNA Millennium suite of applications, a highly integrated patient-centered clinical information management system. CTGHS completed an assessment, identified areas of risk and crafted a solution to get the project back on track. We provided stronger project management, more in-depth Cerner system application expertise and a clinical consultant team of physicians and nurses with pediatric and implementation experience. Our assessment and expertise helped turn this problematic project around and led to the award of the $1.6 million Cerner clinical transformation implementation.

Lynn Foreman,
Executive Services Director
*A CTGer since 2000*

Terry Carroll, RN
Senior Consultant
Cerner Practice
*A CTGer since 2002*

## Financial Services

One of Europe's largest banking and insurance companies engaged CTG Belgium to assist in a major software migration project involving transfer of 1,000 packages from Windows/NT to Windows/XP. CTG used a Managed Service Agreement approach to handle peak demand periods and meet variable client needs within defined timeframes. To effectively support the migration, CTG provided a balanced team with the technical skills profiled and financial services experience. Tasks performed included gathering software sources, creating installation documents and developing test plans for functional requirements. Based on our performance, follow-up and close collaboration with the client on the migration, CTG was asked to provide the testing team for its validation.

David De Bisschop,
Business Manager
Financial Services
*A CTGer since 2004*

Luc Temmerman,
Senior IT Service
Management Consultant
*A CTGer since 1997*

## Healthcare

A large not-for-profit multiple hospital healthcare network in the southwestern U.S. selected CTGHS to provide leadership for a full life-cycle clinical transformation to improve clinical excellence, provide a more patient-centric healing environment and expand access to care. CTGHS' industry-leading implementation capabilities and application expertise enabled us to provide a multi-phase solution that will use our Exemplar-CTX clinical transformation methodology with over 400 tools to support the clinical transformation process. The talent and resources of the CTG recruiting organization helped quickly assemble a team of consultants with in-demand skills to drive this two-year, $3.25 million engagement for CTGHS.

Linda Dietrich,
Solutions Delivery Manager
*A CTGer since 2005*

Alfred Campanella, PMP
Solutions Director CTGHS
*A CTGer since 2001*

## Healthcare

The United Kingdom's National Health Service (NHS) is implementing the largest healthcare system change ever undertaken. CTG's involvement in the program began in 2004 when a prime provider for the project engaged us to develop tools to support the assessment and deployment of the IDX Carecast system. The success of this engagement led to our joining a team developing a deployment plan and toolkit for all publicly funded healthcare organizations in one of the five NHS regions. The focus of our work included methodology development, quality assurance and training. CTG's healthcare expertise and performance on these projects is increasing demand for our field assistance as the NHS nation-wide rollout scheduled for completion in 2010 moves forward.

Jan McCoy,
Managing Director
CTG UK
*A CTGer since 1997*

Above: Development and integration success stories and key CTG professionals contributing to each project's success

Demand for independent testing is growing based on the high level of software and services developed or provided offshore, and business concerns related to information security and regulatory compliance. Third party testing verifies system functionality, accuracy and security by a firm not directly involved in the development or implementation of the system. Depending on client needs, the range of CTG's testing support includes complete outsourcing, consulting and training. Our testing solutions offerings include assessments, testing environment set-up, remote delivery and application portfolio testing. CTG's test process improvement methodology enables us to provide flexible testing support, select optimal testing tools, and evaluate client testing processes and organize client training. Employing a multi-stage testing process, CTG identifies and reduces application defects prior to implementation, which reduces post-production reworks and contributes to user confidence in new applications. In conjunction with our testing solutions offerings, CTG also provides comprehensive validation solutions to the life sciences market that confirm through documented evidence that systems comply with regulatory requirements and support the development and manufacturing of safe, effective products.

# Testing Solutions

## Life Sciences

One of the world's largest pharmaceutical companies was establishing a testing and validation center of excellence (COE) for its manufacturing and computing systems. Our client needed an external provider to develop the strategy, plan the implementation and provide high quality validation and testing solutions to comply with Food and Drug Administration (FDA) requirements. CTG Life Sciences Solutions (CTGLSS) was selected based on our track record supporting this client as an outsourcing partner and our deep testing and validation experience in FDA regulatory compliance. CTGLSS supplied a 40-person team with GxP, regulatory compliance, validation and testing capabilities in life sciences, which will expand in 2006 as the COE prepares for its advanced services state.

Madhavi Ganesan,
Principal Consultant
*A CTGer since 2004*

Jim Hazelett,
Delivery Director CTGLSS
*A CTGer since 1994*

## Life Sciences

Following an assessment of the transfer of information across various Oracle server versions for the research and development division of a major pharmaceuticals company, CTGLSS was selected to implement the migration. The scope of the work involves upgrading nearly 200 applications, as well as all of the client's servers from unsupported Oracle releases to Oracle version 10G release 2. This two-year, $2.25 million project utilizes a global team of CTG consultants in North America and Europe.

James Jannes,
Director, Consulting CTGLSS
*A CTGer since 1998*

Joseph Eberle,
Principal Consultant,
Solutions Development
*A CTGer since 1984*

## Financial Services

CTG's relationship with one of the world's largest insurance companies has grown tenfold from three consultants to over 30 through projects supported by CTG's Quality Assurance (QA) Testing Practice and our Document Solutions service. CTG first helped our client establish a sound QA team and process during a new billing system implementation for automobile insurance. Following a structured process of requirements gathering through testing, the CTG team leveraged the client's billing technology to its fullest extent. We also helped this client better communicate with its automobile policyholders through our Document Solutions service by implementing a new document processing application, customizing billing forms, and enhancing application performance.

Greg Mackey,
Engagement Manager
*A CTGer since 2003*

## Financial Services

A large U.S. provider of life, annuity, and health insurance was experiencing a high rate of software defects found during user acceptance testing. A majority of the defects detected required additional programming support to correct which affected implementation schedules and budgets. The client engaged CTG to perform a gap analysis to assess the current state and determine the ideal future state. CTG identified recommendations to close the gap and was then asked to assist the client with implementation of the recommendations. When CTG began the engagement, the defect rate during user acceptance testing was over 70%. After implementation of the recommendations, the defect rate during user acceptance testing had declined to less than 15%.

Jane James-Grimes,
Account Manager
*A CTGer since 2003*

Kenneth Haskins,
Senior QA/Test
Consultant
*A CTGer since 2005*

Above: Testing success stories and key CTG professionals contributing to each project's success

CTG's information security (IS) solutions support the maintenance of secure and confidential enterprise information, regulatory compliance, and protection of business information assets throughout our clients' business and technical environment. The range of our IS solutions includes assessments, development of security architecture and best practice security policies and procedures, and security integration to implement and manage the enhanced security architecture and organization. Integration services include administration and migration strategy, as well as managed security solutions where CTG technical staff and resources are used to administer client security. A major focus of our current IS business supports Sarbanes-Oxley Act Section 404 (SOX) compliance requirements to verify the security and accuracy of technical systems and information technology affecting financial information. CTG operates a separate Sarbanes-Oxley practice to help clients mobilize IT planning, process and control methodologies to support initial SOX compliance and future audits of IT infrastructure and data. Our SOX deliverables include baseline and risk assessments, test control documentation, testing and remediation, and quarterly reporting and monitoring.

# Information Security Solutions

## Financial Services

One of the nation's largest banks was seeking an outside IT consulting firm to complete application access security testing on mainframe and distributed applications as part of its Sarbanes-Oxley quarterly management attestation of internal controls. The results then had to be documented in the client's portal in an "external audit quality" manner. CTG performed the work using a highly experienced team, consisting of SOX experts and IT specialists. In addition to performing testing and evaluation of the controls for almost 50 applications, CTG also provided feedback that helped to improve the control's test plan and underlying questionnaires and worksheets. Our team also developed a tool to streamline the testing of application termination reports that may be used in future tests. Finally, CTG identified issues and concerns per-application implementation of the periodic review process through a regularly updated "score card" and a report that tracked potential "action plan" requirements during testing. Our objective was to review, test and evaluate from the perspective of an external financial auditor, to assist the client in preparation for its external audit. This process helped the client to identify and remediate potentially deficient applications and processes prior to its annual external audit review.

Paula Thompson,
Business Development Executive
*A CTGer since 1998*

## Retail

A retail merchant that processes millions of credit card transactions annually needed a security assessment of its systems to ensure it complied with Payment Card Industry (PCI) Data Security Standards to protect customer information. As one of a select group of security assessors qualified by VISA® through its Cardholder Information Security Program (CISP), CTG performed a comprehensive assessment that identified and remediated security exposures for this retailer with over 1,100 POS locations and multiple e-commerce environments.

Chris Wootten,
Senior Account Executive
*A CTGer since 2004*

## Energy

A major publicly traded wholesale power generation company needed assistance related to compliance with the Sarbanes-Oxley Act in the area of IT general controls and key automated controls. In addition, it also required assistance surrounding the security in close proximity to proprietary software in operation at one of its power generation facilities. CTG's ISS Practice addressed these needs by forming a team of security and IT audit personnel to "merge" with client resources to identify, document, test and remediate IT general controls and key automated controls for SOX compliance. We also assembled a security team to address the security issues associated with the proprietary software at the power generation facility. Our SOX assistance resulted in no comments from the client's external financial auditor on its IT general controls or key automated controls. CTG's security assessment resulted in identification and correction of vulnerabilities in the platforms that were supporting the proprietary software at the power generation facility. Our performance on these projects led to additional work as the client requested ongoing support from CTG to evaluate a potential acquisition's IT infrastructure.

Ted Ipsen, CISSP, CISM
North American Delivery Director for Sarbanes-Oxley Compliance Services
*A CTGer since 2004*

Carl Armstrong,
Principal Consultant
*A CTGer since 1999*

Above: Information security success stories and key CTG professionals contributing to each project's success

# Customized Solutions

CTG combines significant technology and business expertise with deep vertical market experience to provide highly customized solutions for unique business needs. Our ability to develop high-value customized solutions is supported by strong, longtime client relationships that help us gain the knowledge of our client's business needed to truly function as a collaborative partner. CTG's strong integration capabilities also enable us to seamlessly link custom solutions with existing legacy systems. Our business and IT consulting solutions help our clients leverage technology to achieve business objectives through comprehensive technology assessments, alignments, and reengineering. We also offer a variety of outsourcing solutions with the flexibility to design to client requirements, offer transitional outsourcing and provide hybrid offshore support that combines onshore management and interface with offshore development. In Europe, our robust IT service management offering provides clients technology infrastructure support and multi-lingual capabilities for technical writing and help desk resources. Our customized logistics and distribution solutions and Internet-based supply chains enable manufacturing and retail clients to manage inventory and manufacturing operations more efficiently while lowering costs. Overall, CTG's customized solutions are distinguished by creative application of information technology to business problems.

## Healthcare

A major integrated delivery network in the southern U.S. turned to CTGHS when it needed support for a variety of legacy applications so its internal IT staff could focus on implementing new applications supporting patient safety and quality. CTGHS tailored our application outsourcing solution to specifically meet its needs adding focused infrastructure and offshore support. As part of the $5.5 million contract, CTGHS is supporting a large Siemens application and an internally developed Model 204-based system, providing project management and server infrastructure support. Our proven track record with this long-term client and the strength of our transitional outsourcing methodology and capabilities secured this multi-year engagement that began in late 2003 and runs through 2007.

Ken Roderman, CPHIMS
Director, Strategic Sourcing CTGHS
*A CTGer since 2003*

## Healthcare

CTG provided IT visioning for executive management of a major regional health insurer, to align the company's IT organization with strategic business objectives and enhance revenue, reduce costs, and improve customer relationship management. CTG also supplied an executive management team to lead the client's IT organization in redesigning, realigning and streamlining the IT function to improve service to the business units while increasing efficiencies and reducing costs.

A parallel project addressed development of a strong IT control environment to support business operations and secure an acceptable audited SAS70 report verifying that the insurer's IT management controls were well designed and effective, a new Sarbanes-Oxley requirement of its public company clients.

Fred Turino,
Executive Consultant
*A CTGer since 1980*

Steve Allen,
Manager, IT Audit and Advisory Services
*A CTGer since 1977*

## Life Sciences

CTG Belgium developed a custom software application, Apollo, which improves healthcare delivery to HIV-infected patients for the Belgian subsidiary of a major U.S. pharmaceuticals company. Our client, a world leader in the field of HIV-1 drug resistance testing, was seeking an application which would help physicians determine the most suitable drugs for HIV-1 infected patients, thus helping to improve therapy decisions and reduce the time involved to initiate treatment. Developed to replace outdated operational software, Apollo utilizes new approaches in biotechnology and biostatistics to identify and respond to mutations and indicate the most suitable drugs for the individual patient, reducing the need for time-consuming expert opinions.

Patrick De Clerq,
Software Architect
*A CTGer since 2001*

Glenn Van Rillaer,
Senior Project Manager
*A CTGer since 1999*

## Life Sciences

The IT group of one of the world's largest pharmaceutical companies retained CTG Belgium to standardize its European IT infrastructure qualification and operation documentation. The assignment involved standardizing approximately 1,800 documents related to policies, procedures and standards, written in six different languages and housed in 23 European locations and in seven different countries. CTG used a multidisciplinary team of IT Service Management and compliance experts to reduce costs from process and technology globalization, improve operational effectiveness, and identify and remedy process and compliance gaps. CTG's recommendations also resulted in a 30 percent reduction in the number of documents.

Peter Defreyne,
Senior IT Service Management Consultant
*A CTGer since 2004*

Ann Mertens,
Validation Consultant
*A CTGer since 2001*

Above: Customized solutions success stories and key CTG professionals contributing to each project's success

Consolidated Summary –

# Five-Year Selected Financial Information

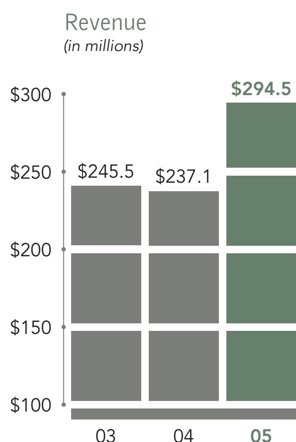
The selected operating data and financial position information set forth below for each of the years in the five-year period ended December 31, 2005 has been derived from the Company's audited consolidated financial statements. Information reported for the years 2001 to 2003 has been revised, as applicable, to reflect the disposition of CTG Nederland, B.V. effective January 1, 2004.

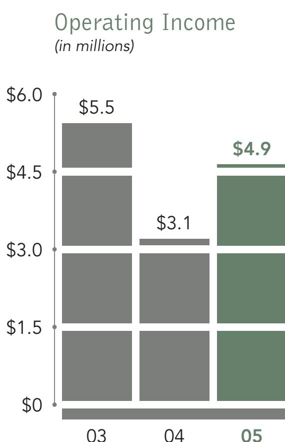
| *(amounts in millions, except per-share data)* | **2005** | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| **Operating Data** | | | | | |
| Revenue | **$ 294.5** | $ 237.1 | $ 245.5 | $ 256.1 | $ 299.4 |
| Operating income | **$ 4.9** | $ 3.1 | $ 5.5 | $ 6.0 | $ 1.4 |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle | **$ 2.4** | $ 3.0 | $ 2.7 | $ 2.8 | $ (1.3) |
| Net income (loss) | **$ 2.4** | $ (1.4)* | $ 2.7 | $ (35.7)** | $ (2.2) |
| Basic net income (loss) per share from continuing operations before cumulative effect of change in accounting principle | **$ 0.14** | $ 0.18 | $ 0.16 | $ 0.17 | $ (0.08) |
| Basic net income (loss) per share | **$ 0.14** | $ (0.09)* | $ 0.16 | $ (2.15)** | $ (0.13) |
| Diluted net income (loss) per share from continuing operations before cumulative effect of change in accounting principle | **$ 0.14** | $ 0.17 | $ 0.16 | $ 0.16 | $ (0.08) |
| Diluted net income (loss) per share | **$ 0.14** | $ (0.08)* | $ 0.16 | $ (2.11)** | $ (0.13) |
| Cash dividend per share | **$ –** | $ – | $ – | $ – | $ – |
| **Financial Position** | | | | | |
| Working capital | **$ 40.7** | $ 17.5 | $ 16.1 | $ 16.5 | $ 20.5 |
| Total assets | **$ 127.8** | $ 103.5 | $ 101.2 | $ 105.0 | $ 152.0 |
| Long-term debt | **$ 23.2** | $ – | $ – | $ 8.5 | $ 15.5 |
| Shareholders' equity | **$ 57.0** | $ 56.7 | $ 56.4 | $ 52.6*** | $ 86.6 |

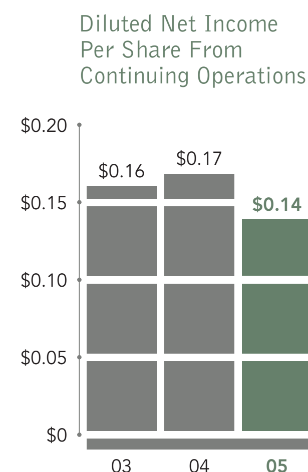
* Includes a loss from discontinued operations of approximately $4.4 million, or $0.27 per basic share and $0.25 per diluted share from the disposition of CTG Nederland, B.V. effective January 1, 2004.

** Includes a charge for the cumulative effect of a change in accounting principle related to the adoption of Financial Accounting Standard (FAS) No. 142, "Goodwill and Other Intangible Assets," which reduced net income by $37.0 million, basic net income per share by $2.23, and diluted net income per share by $2.19.

*** During 2005, the Company identified certain errors in the application of generally accepted accounting principles that affected the Company's retained earnings balance as of December 31, 2002. This balance has been revised to include the net impact of those adjustments which total an increase of approximately $0.2 million to the Company's retained earnings balance. See note 2, "Adjustment of Retained Earnings as of December 31, 2002."



Management's Discussion and Analysis of

# Financial Condition and Results of Operation

## Forward-Looking Statements

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements by management and the Company that are subject to a number of risks and uncertainties. These forward-looking statements are based on information as of the date of this report. The Company assumes no obligation to update these statements based on information from and after the date of this report. Generally, forward-looking statements include words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "could," "may," "might," "should," "will" and words and phrases of similar impact. The forward-looking statements include, but are not limited to, statements regarding future operations, industry trends or conditions and the business environment, and statements regarding future levels of, or trends in, revenues, operating expenses, capital expenditures, and financing. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including the following: (i) industry conditions, including fluctuations in demand for IT services, (ii) the availability to us of qualified professional staff, (iii) industry competition, (iv) rate and wage inflation or deflation, (v) risks associated with operating in foreign jurisdictions, (vi) the impact of current and future laws and government regulation, as well as repeal or modification of same, affecting the IT solutions and staffing industry, taxes and the Company's operations in particular, (vii) renegotiations, nullification, or breaches of contracts with customers, vendors, subcontractors or other parties, (viii) consolidation among the Company's competitors or customers, and (ix) the risks described elsewhere herein and from time to time in the Company's reports to the Securities and Exchange Commission.

## Trends

The market demand for the Company's services is heavily dependent on IT spending by major corporations, organizations and government entities in the markets and regions that we serve. The pace of technology change and changes in business requirements and practices of our clients all have a significant impact on the demand for the services that we provide. Competition for new engagements and pricing pressure has been strong. We have responded to these challenging business conditions by focusing on three main services, which are providing strategic staffing, IT solutions, and application outsourcing to our clients. We have in turn promoted a majority of our services through four vertical market focus areas, which are technology service providers, financial services, healthcare and life sciences. Finally, we have closely monitored and managed the utilization of our billable personnel, and managed our selling, general and administrative costs as a percentage of revenue.

The IT services industry is extremely competitive and characterized by continuous changes in customer requirements and improvements in technologies. Our competition varies significantly by geographic region, as well as by the type of service provided. Many of our competitors are larger than we are and have greater financial, technical, sales and marketing resources than we have. In addition, we frequently compete with a client's own internal IT staff. Our industry is being impacted by the growing use of lower-cost offshore delivery capabilities (primarily India). There can be no assurance that we will be able to continue to compete successfully with existing or future competitors or that future competition will not have a material adverse effect on our results of operations and financial condition.

## Operations

The Company operates in one industry segment, providing IT staffing solutions services to its clients. These services include IT Staffing, Application Outsourcing, and IT Solutions. CTG provides these three primary services to all of the markets that it serves. The services provided typically encompass the IT business solution life cycle, including phases for planning, developing, implementing, managing, and ultimately maintaining the IT solution. A typical customer is an organization with large, complex information and data processing requirements. The Company promotes a portion of its services through four vertical market focus areas: Technology Service Providers, Financial Services, HealthCare, and Life Sciences.

## Disposition of Operations

During the first quarter of 2004, the Company disposed of its Dutch operating subsidiary, CTG Nederland B.V., in a transaction in which the Company sold the subsidiary's stock and transferred the unit's business, staff, and lease and equipment obligations to the unit's management team. The effective date of the disposition was January 1, 2004, and the transaction has been treated as discontinued operations in the Company's consolidated financial statements contained in this report. As part of the transaction, the Company retained the assets and liabilities related to the defined-benefit plan for its previous employees in The Netherlands (NDBP). At the time of the disposition, the net assets of the plan totaled approximately $0.5 million. The activities of the NDBP are discussed in note 8, "Deferred Compensation Benefits." This unit had previously been included in the financial results of the Company's European operations.

The loss from discontinued operations resulting from this divestiture totaled approximately $4.4 million in 2004, with approximately $4.3 million of that loss incurred in the first quarter of 2004. The loss includes a cumulative loss on disposal of approximately $3.9 million, and approximately $0.5 million from a foreign currency adjustment which had previously been reported as a direct charge to shareholders' equity. All activities related to this subsidiary have been removed from the Company's individual accounts and subsequently combined and included on the line entitled "Income (loss) from discontinued operations" on the Company's Consolidated Statements of Operations.

Revenue, loss before income taxes, and income (loss) from discontinued operations for 2004 and 2003 are as follows:

| *(amounts in thousands)* | 2004 | 2003 |
|---|---|---|
| Revenue | $ – | $ 6,827 |
| Loss before income taxes | – | (1,762) |
| Income (loss) from discontinued operations | $ (4,411) | $ 62 |

During 2003, the Company recorded a tax refund and interest thereon of approximately $1.1 million and $0.6 million, respectively, resulting from the resolution of a court case in The Netherlands which for tax purposes created a net operating loss benefit for the Company's Dutch subsidiaries. This refund was received in 2004 and included above as part of the income from discontinued operations in 2003.

## Results of Operations

The table below sets forth data as contained on the consolidated statements of operations, with the percentage information calculated as a percentage of consolidated revenues as reported on the Company's Consolidated Statements of Operations.

| **Year ended December 31,** *(percentage of revenue)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Revenue | **100.0 %** | 100.0 % | 100.0 % |
| Direct costs | **77.0 %** | 73.0 % | 72.7 % |
| Selling, general, and administrative expenses | **21.3 %** | 25.7 % | 25.0 % |
| Operating income | **1.7 %** | 1.3 % | 2.3 % |
| Interest and other expense, net | **(0.5) %** | (0.3) % | (0.4) % |
| Income from continuing operations before income taxes | **1.2 %** | 1.0 % | 1.9 % |
| Provision (benefit) for income taxes | **0.4 %** | (0.3) % | 0.8 % |
| Income from continuing operations | **0.8 %** | 1.3 % | 1.1 % |
| Income (loss) from discontinued operations | **0.0 %** | (1.9) % | 0.0 % |
| Net income (loss) | **0.8 %** | (0.6) % | 1.1 % |

## 2005 as compared to 2004

In 2005, the Company recorded revenue of $294.5 million, an increase of 24.2% compared to revenue of $237.1 million recorded in 2004. Revenue from the Company's North American operations totaled $246.2 million in 2005, an increase of 27.1% when compared to 2004 revenue of $193.7 million. Revenue from the Company's European operations totaled $48.3 million in 2005, an increase of 11.3% when compared to 2004 revenue of $43.4 million. The European revenue represented 16.4% and 18.3% of 2005 and 2004 consolidated revenue, respectively. The Company's revenue includes reimbursable expenses billed to customers. These expenses totaled $9.2 million and $8.3 million in 2005 and 2004, respectively.

In North America, the revenue increase in 2005 over 2004 is primarily the result of adding approximately 1,000 or 55% additional billable staff in 2005, which was largely due to the expansion of the IBM staffing business. During 2005, the Company signed an addendum to the Technical Services Agreement it has with IBM making it a predominant supplier to IBM's Systems and Technology Group. This addendum has an expiration date of December 31, 2007. Although the North American billable staff increased by approximately 55%, North American revenues only increased 27.1% as a large percentage of the increase was in the Company's staffing business which generally yields lower bill rates than the remainder of the Company's business, and the staff were added throughout the year rather than being in place for the entire year.

In 2005, IBM was the Company's largest customer, accounting for $105.5 million or 35.8% of consolidated revenue as compared to $52.6 million or 22.2% of 2004 revenue. No other customer accounted for more than 10% of the Company's revenue in either 2005 or 2004.

The increase in revenue in the Company's European operation in 2005 as compared to 2004 is primarily due to an increase in demand in 2005 for the testing services offered by the Company. There was a nominal effect on revenue for changes in year-over-year foreign currency exchange rates. In Belgium and Luxembourg, the functional currency is the Euro, while in the United Kingdom the functional currency is the British pound. Had there been no change in these exchange rates from 2004 to 2005, total European revenue would have been approximately $0.1 million higher, or $48.4 million in total in Europe as compared to the $48.3 million reported in 2005.

Direct costs, defined as costs for billable staff including billable out-of-pocket expenses, were 77.0% of revenue in 2005 as compared to 73.0% of 2004 revenue. The increase in direct costs as a percentage of revenue in 2005 as compared to 2004 is primarily due to the significant increase in the headcount for the Company's staffing business, which generally yields lower direct profit margins than the remainder of the Company's business.

Selling, general and administrative (SG&A) expenses were 21.3% of revenue in 2005 as compared to 25.7% of revenue in 2004. The decrease in SG&A expense as a percentage of revenue reflects a higher concentration of staffing business in the Company's sales mix in 2005, which requires a lower level of support from the Company's SG&A staff than the remainder of the Company's business. The decrease

in the year-over-year percentage of revenue was in contrast to an increase in SG&A expense from 2004 to 2005 totaling approximately $1.9 million. The increase in SG&A in 2005 as compared to 2004 was primarily due to additional recruiting costs incurred of approximately $2.3 million to respond to the increase in demand for the Company's staffing services, and approximately $0.5 million of additional audit fees offset by approximately $0.1 million for the increase in cash surrender value for Company owned life insurance policies that had previously not been recorded, and the Company's continued efforts to control and reduce its SG&A costs in various areas as a percentage of revenue.

Operating income was 1.7% of revenue in 2005 as compared to 1.3% of revenue in 2004. The Company's operating income as a percentage of revenue generally increased throughout 2005 primarily as certain transition costs associated with the significant amount of staffing business added during the first quarter of 2005, which totaled approximately 700 of the total 1,000 billable staff added during 2005 ended. Operating income from North American operations was $3.0 million in 2005 as compared to $2.3 million in 2004, while European operations recorded operating income of $1.9 million in 2005 and $0.8 million in 2004.

Interest and other expense, net was 0.5% of revenue in 2005 and 0.3% in 2004. The increase as a percentage of revenue from 2004 to 2005 is primarily due to an increase in the average outstanding debt during 2005 as the Company utilized its revolving line of credit to fund higher accounts receivable during 2005 resulting from the additional billable staff added during the year. Additionally, there were higher interest rates in 2005 on the Company's revolving debt, and the Company realized a loss of approximately $0.1 million for the settlement of inter-company transactions with the Company's foreign subsidiaries.

The estimated effective tax rate (ETR) used to calculate the provision for income taxes from continuing operations was 31.8% in 2005. The ETR is calculated quarterly based upon current assumptions relating to the full year's estimated operating results, and various tax related items. The ETR in 2005 was reduced primarily due to several items that created net tax benefits totaling approximately $0.3 million. The Company released a net amount of approximately $0.1 million from its tax reserves primarily due to a change in judgment and settlement of open items, and also reduced a valuation allowance for its net operating loss for Canada by approximately $0.2 million. Without the aggregate tax benefit for all of these items totaling approximately $0.3 million, the Company's ETR in 2005 would be approximately 40.1%. In 2004, the ETR was a benefit of (22.6)%. During 2004, the ETR was reduced by approximately $0.6 million for a release of reserve due to a change in judgment resulting from legislation enacted in The Netherlands, the reversal of approximately $0.5 million of valuation allowances offsetting deferred tax assets related to the Company's European and Canadian operations, $0.4 million for state tax net operating loss tax benefits that had previously been offset by a valuation allowance, and a net amount of approximately $0.2 million from the release of other deferred tax items. Without these items, the ETR in 2004 would have been approximately 48.0%.

During the second quarter ended July 1, 2005, the Company changed its method of accounting for reporting changes in liabilities in interim periods resulting from changes in judgments or settlements of tax exposure items. The Company had previously accounted for such changes in judgments or settlements as adjustments to the estimated annual ETR. However, the Company has now changed its method of accounting for such changes in judgments or settlements, resulting in either additional tax expense or tax benefits, so that they are recorded as discrete items in the interim period in which the change occurs. This newly adopted accounting method is preferable as it more appropriately reflects the impact of the change on the Company's consolidated operations and financial position at the time of the change.

Net income from continuing operations for 2005 was 0.8% of revenue or $0.14 per diluted share, compared to net income from continuing operations of 1.3% of revenue or $0.17 per diluted share in 2004. Diluted earnings per share were calculated using 17.1 million weighted-average equivalent shares outstanding in both 2005 and 2004.

## Stock Option Vesting Acceleration

On November 16, 2005, the Board of Directors of the Company approved the acceleration of the vesting of all unvested out-of-the money stock options previously awarded to its employees, including its executive officers and its directors under the Company's equity compensation plans having an exercise price greater than $3.48, which was the closing price of the Company's common stock on that date. Options to purchase approximately 1.1 million shares of the Company's common stock became exercisable immediately. The weighted-average exercise price of the options subject to the acceleration was $4.69.

The purpose of the acceleration was to enable the Company to eliminate future compensation expense the Company would otherwise recognize in its statement of operations with respect to these accelerated options upon the adoption of FASB Statement No. 123R, "Share-Based Payment" (FAS No. 123R). The Board of Directors took the action in the belief that it is in the best interest of the shareholders to minimize future compensation expense associated with stock options upon adoption of FAS No. 123R. FAS No. 123R is effective for the Company beginning in the first quarter of 2006 and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in the Company's consolidated financial statements. It is estimated that the maximum future compensation expense that would have been recorded in the Company's statements of operations had the vesting of these options not been accelerated is approximately $1.4 million. The impact of the acceleration of the vesting of the options on the Company's 2005 financial statements is disclosed in the pro forma footnote disclosures, as permitted under the transition guidance provided by the FASB, in note 11 "Stock Option Plans."

## 2004 as compared to 2003

In 2004, the Company recorded revenue of $237.1 million, a decrease of 3.4% compared to revenue of $245.5 million recorded in 2003. Revenue from the Company's North American operations totaled $193.7 million in 2004, a decrease of 8.7% when compared to 2003

revenue of $212.1 million. Revenue from the Company's European operations totaled $43.4 million in 2004, an increase of 29.9% when compared to 2003 revenue of $33.4 million. The European revenue represented 18.3% and 13.6% of 2004 and 2003 consolidated revenue, respectively. The Company's revenue includes reimbursable expenses billed to customers. These expenses totaled $8.3 million and $6.7 million in 2004 and 2003, respectively.

In North America, the revenue decrease was primarily the result of a large outsourcing engagement involving approximately 100 billable staff ending at the end of July 2004 as the customer, who was in liquidation, decided to hire its own staff for its IT department. Offsetting this engagement was stronger demand for the staffing services the Company provides to its other clients. Although demand for staffing services increased during 2004, the addition of billable staff was gradual throughout the year as compared to the large engagement ending at the end of July, and therefore only partially offset the decline in revenue. The Company continued to see strong demand for its staffing services in 2005.

The significant increase in revenue in the Company's European operations in 2004 as compared to 2003 was in part due to the addition of a large healthcare project in the United Kingdom. This project accounted for approximately one-third of the year-over-year revenue increase. Additionally, the increase in year-over-year revenue was partially due to the strength of the currencies of Belgium, the United Kingdom, and Luxembourg, the countries in which the Company's European subsidiaries operate. In Belgium and Luxembourg, the functional currency is the Euro, while in the United Kingdom, the functional currency is the British pound. If there had been no change in these foreign currency exchange rates from 2003 to 2004, European and total consolidated revenues in 2004 would have been $4.1 million lower, or $39.3 million in total as compared to the $43.4 million reported in 2004.

In November 2003, the Company signed a contract with International Business Machines (IBM) for one year as one of IBM's national technical service providers for the United States. The Company and IBM completed the renewal of this contract for one additional year near the end of 2004. This contract accounted for approximately 93% of all of the services provided to IBM by the Company in 2004. In 2004, IBM was the Company's largest customer, accounting for $52.6 million or 22.2% of total revenue as compared to $51.9 million or 21.1% of 2003 revenue. The Company continued to derive a significant portion of its revenue from IBM in 2005.

Direct costs, defined as costs for billable staff including billable out-of-pocket expenses, were 73.0% of revenue in 2004 as compared to 72.7% of 2003 revenue. The increase in direct costs as a percentage of revenue in 2004 as compared to 2003 was primarily due to higher medical benefit costs (0.4)%, offset by a change in the mix of services provided to clients.

Selling, general and administrative (SG&A) expenses were 25.7% of revenue in 2004 as compared to 25.0% of revenue in 2003. Although the percentages have increased in 2004, total SG&A expenses decreased from 2003 as the Company continued to actively manage its cost structure in response to the revenue pressures mentioned above, which caused overall Company revenue to decrease. In 2004, the Company did incur costs to continue to make investments in the Company in the areas of recruiting and its service offerings in order to capitalize on increases in market demand when they began to occur during 2004. Also, in addition to the use of internal resources, the Company incurred in excess of $0.5 million of costs to comply with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002, which were not incurred in 2003.

Operating income was 1.3% of revenue in 2004 as compared to 2.3% of revenue in 2003. Operating income from North American operations was $2.3 million in 2004 as compared to $5.5 million in 2003, while European operations recorded operating income of $0.8 million in 2004 and $0 in 2003. Operating income in Europe was positively affected by approximately $0.1 million due to the strength of the currencies in the countries in which the Company's European subsidiaries operate.

Interest and other expense, net was 0.3% of revenue in 2004 and 0.4% in 2003. The decrease as a percentage of revenue from 2003 to 2004 was primarily due to lower average outstanding indebtedness balances in 2004.

The estimated effective tax rate (ETR) used to calculate the provision for income taxes from continuing operations was a benefit of (22.6)% in 2004 and 42% in 2003. The ETR is recalculated quarterly based upon current assumptions relating to the full year's estimated operating results, and various tax related items. The decrease in the rate in 2004 as compared to 2003 is primarily due to the Company utilizing previously recorded net operating loss tax benefits of approximately $0.5 million for its European and Canadian operations that had been fully offset by a valuation allowance, a release of approximately $0.6 million of previously recorded tax liabilities resulting from the Company's interpretation of recent tax legislation enacted in Europe, $0.4 million for state tax net operating loss tax benefits that had previously been fully offset by a valuation allowance, and a net amount of approximately $0.2 million from the release of other deferred tax items. Without these adjustments to the ETR, the rate would have been approximately 48% in 2004.

Net income from continuing operations for 2004 was 1.3% of revenue or $0.17 per diluted share, compared to net income from continuing operations of 1.1% of revenue or $0.16 per diluted share in 2003. Diluted earnings per share were calculated using 17.1 million and 16.8 million equivalent shares outstanding in 2004 and 2003 periods, respectively. The increase in equivalent shares outstanding in 2004 is due to an increase in the Company's stock price which resulted in a greater dilutive effect of outstanding stock options.

## Recent Accounting Pronouncements

In December 2004, the FASB issued FAS No. 123R, "Share-Based Payment." This FAS establishes standards for the accounting for transactions in which the Company exchanges its equity instruments for goods or services. The standard requires the Company to measure the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of the award. Currently, the Company only issues stock options in exchange for employee and director services. Under the new standard, the

calculated cost of the equity awards will be recognized in the Company's results of operations over the period in which an employee or director is required to provide the services for the award. Compensation cost will not be recognized for employees or directors that do not render the requisite services.

Currently, the Company accounts for its stock-based employee compensation plans as allowed under current guidance and does not record compensation cost in its statements of operations for stock-based compensation. This new standard is effective for the Company as of January 1, 2006. The Company has evaluated the effect of the adoption of this new standard on its financial condition and results of operations and determined that the expense associated with issued and outstanding options will total approximately $0.35 million and result in a reduction of diluted earnings per share of approximately $0.02 in 2006.

In May 2005, the FASB issued FAS No. 154, "Accounting Changes and Corrections of Errors." This FAS replaces Accounting Principles Board (APB) Opinion No. 20, "Accounting Changes," and FAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." This new FAS changes the requirements for the accounting for and reporting of a change in accounting principle, as well as carrying forward some of the guidance in the previous statements. This new standard is effective for the Company for accounting changes and corrections of errors made in fiscal years beginning January 1, 2006. The Company is currently in the process of evaluating the effect, if any, on its financial condition and results of operations of the adoption of this new standard.

During 2005, the FASB issued FIN 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). This Interpretation clarifies that the term "conditional asset retirement obligation" refers to a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the Company, but that the obligation to perform the asset retirement activity is not conditional. FIN 47 is applicable to the Company for the year ended December 31, 2005. The Company has reviewed its assets and business operations, including its leasing activities, and determined that the issuance of this Interpretation did not have an impact on the Company's financial condition or results of operations.

## Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires the Company's management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company's significant accounting policies are included in note 1 to the consolidated financial statements. These policies, along with the underlying assumptions and judgments made by the Company's management in their application, have a significant impact on the Company's consolidated financial statements. The Company identifies its most critical accounting policies as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. The Company's most critical accounting policies are those related to goodwill valuation, income taxes, specifically relating to deferred taxes and valuation allowances, and the discount rates and expected return on plan assets, as applicable, used to calculate the Company's pension obligations.

*Goodwill Valuation –* The goodwill balance of $35.7 million relates to the Company's North American operations and is evaluated annually or more frequently if facts and circumstances indicate impairment may exist. This evaluation, as applicable, is based on estimates and assumptions that may analyze the appraised value of similar transactions from which the goodwill arose, the appraised value of similar companies, or estimates of future discounted cash flows. The estimates and assumptions on which the Company's evaluations are based necessarily involve judgments and are based on currently available information, any of which could prove wrong or inaccurate when made, or become wrong or inaccurate as a result of subsequent events.

As of January 1, 2006 and 2005, with the assistance of an outside third party valuation expert, and as of January 1, 2004, the Company completed its annual valuation of the business unit to which the Company's goodwill relates. These valuations indicated that the estimated fair value of the business unit exceeded the carrying value of this unit in each period. Additionally, there are no facts or circumstances that arose during 2003, 2004 or 2005 that led management to believe the goodwill was impaired. Accordingly, the Company believes no impairment was required to be recorded in its consolidated financial results. Changes in business conditions which could impact future valuations, however, could lead to impairment charges.

*Income Taxes – Deferred Taxes and Valuation Allowances –* At December 31, 2005, the Company had a total of approximately $6.8 million of current and non-current net deferred tax assets recorded on its balance sheet. The changes in deferred tax assets and liabilities from period to period are determined based upon the changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for tax purposes, as measured by the enacted tax rates when these differences are estimated to reverse. The Company has made certain assumptions regarding the timing of the reversal of these assets and liabilities, and whether taxable operating income in future periods will be sufficient to recognize all or a part of any gross deferred tax asset of the Company.

At December 31, 2005, the Company has deferred tax assets recorded resulting from net operating losses. This includes assets resulting from net operating losses in various states totaling approximately $0.6 million, in The Netherlands of approximately $2.3 million, and approximately $0.5 million in various other countries. Management of the Company has analyzed each jurisdiction's tax position, including forecasting potential taxable income in future periods, and the expiration of the net operating loss carryforwards as applicable, and determined that it is unclear whether all of these deferred tax assets will be realized at any point in the future. Accordingly, at December 31, 2005, the Company has offset a portion of these assets with a valuation allowance totaling $2.6 million, resulting in a net deferred tax asset from net operating loss carryforwards of approximately $0.8 million.

During 2005 the valuation allowance was reduced by approximately $1.3 million, net due to a variety of factors including the Company utilizing recorded net operating loss benefits of approximately $0.1 million for its Canadian operations and $0.2 million related to the reversal of the remaining Canadian valuation allowance due to a change in estimate. In 2005, The Netherlands tax authorities settled an audit of the Company's Netherlands foreign subsidiary's 2001 income tax return. A resulting decrease in The Netherlands company's net operating loss carryforward of $0.9 million, with a corresponding decrease in the valuation allowance for this deferred tax asset, was primarily due to the disallowance of interest expense on an intercompany loan with its U.S. parent under thin capitalization rules recently affirmed by The Netherlands court system.

The Company's deferred tax assets and their potential realizability are evaluated each quarter to determine if any changes should be made to the valuation allowance. Any additional change in the valuation allowance in the future could result in a change in the Company's ETR. The total reduction in the valuation allowance of approximately $0.2 million for the Company's Canadian operations reduced the ETR by approximately 5%. An additional 1% decrease in the ETR would have equaled approximately $35,000 of additional net income in 2005.

*Defined Benefit Pension Plans – Discount Rates and Expected Return on Plan Assets* – The Company maintains a non-qualified defined-benefit Executive Supplemental Benefit Plan (ESBP) that provides a current and certain former key executives with deferred compensation benefits, based on years of service and base compensation, payable during retirement. The plan was amended as of November 30, 1994, to freeze benefits for participants at that time. The Company also retained a contributory defined-benefit plan for its previous employees located in The Netherlands (NDBP) when the Company disposed of its subsidiary, CTG Nederland, B.V., in the first quarter of 2004. Benefits paid under the NDBP are a function of a percentage of career average pay. The NDBP was curtailed for additional contributions in January 2003.

For the ESBP, the discount rate used in 2005 to calculate the benefit obligation was 5.6%, which is reflective of a series of bonds that are included in the Moody's Aa long-term corporate bond yield. The Company selected this rate as it anticipates making payments to participants under the ESBP for 20-30 years in the future, and this rate is reflective of specific bonds within the Moody's Aa index that cover that time period. This rate was a decrease of 25 basis points from the rate used in the prior year to calculate the benefit obligation. For 2005, the Company made payments totaling approximately $0.7 million to participants. There is no salary increase rate assumption for the plan as it is frozen for additional benefits, and the plan is deemed to be unfunded as the Company has not specifically set aside assets to be used to discharge the deferred compensation benefit liability. Payments to participants under the ESBP are funded by the Company as needed.

For the NDBP, the discount rate used in 2005 to calculate the benefit obligation was 4.1%, which is reflective of the current return on long-term corporate bonds that have a remaining life of greater than 10 years which corresponds to the remaining average life of the plan. This rate was a decrease of 90 basis points from the rate used in the prior year to calculate the benefit obligation. There is no salary increase rate assumption for the plan as it is frozen for additional benefits. The NDBP is underfunded by approximately $40,000 at December 31, 2005. The expected return on plan assets for 2005 was approximately $0.3 million. The assets in the NDBP are 20% invested in the Aegon World Equity Fund. This fund invests in global equities, with a small portion of the fund in new or emerging economies. The remaining 80% of the assets are invested as determined by Aegon with no direction from the Company, with a guaranteed minimum return to the Company of 4%. The Company's investments were allocated as indicated above in 2003, 2004 and 2005, and the Company does not anticipate changing these allocation percentages going forward. The expected return on plan assets for 2005 was a function of the average historical return of 4.5% on the 80% of the funds invested by Aegon, and an estimated return of 9% on the 20% of the funds invested in the Aegon Equity Fund. The three year return to the Company on the Aegon Equity Fund was approximately 15%. In 2005, the actual return on plan assets exceeded the expected return on plan assets by approximately $0.2 million.

The Company has also made a number of estimates and assumptions relating to the reporting of other assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Such estimates primarily relate to allowances for doubtful accounts receivable, investment valuation, legal matters, and estimates of progress toward completion and direct profit or loss on fixed-price contracts, as applicable. Actual results could differ from these estimates.

## Financial Condition and Liquidity

Cash used in operating activities was $16.2 million in 2005. Net income from continuing operations was $2.4 million, while other non-cash adjustments, primarily consisting of depreciation expense, deferred taxes, and deferred compensation totaled $2.3 million. Accounts receivable increased $26.6 million as compared to December 31, 2004 primarily due to the increase in revenue in 2005 as compared to 2004, and the timing of the services provided by the additional staff added during 2005. The timing of the collection of these new billings resulted in an increase in days sales outstanding to 85 days at December 31, 2005 from 72 days at December 31, 2004. The Company anticipates entering into an advance payment program in the first quarter of 2006 for certain of its accounts receivable balances which should lower the consolidated accounts receivable balance, reduce days sales outstanding, and improve operating cash flows. Income taxes receivable, net decreased $0.4 million primarily due to the timing and amount of payments in 2005 as compared to 2005 tax expense. Accounts payable decreased $0.8 million primarily due to the timing of certain payments near year-end. Accrued compensation increased $5.9 million in 2005 due to an increase of approximately 1,000 in the total headcount in North America in 2005. Advance billings on contracts decreased $0.6 million due to the timing of billings on customer accounts near the end of 2005.

Investing activities used $3.3 million in 2005, which primarily represented the additions to property and equipment. The Company has no significant commitments for the purchase of property or equipment at December 31, 2005.

Financing activities provided $18.1 million of cash in 2005. For 2005, additional net borrowings under the Company's revolving credit lines totaled $18.5 million. On April 20, 2005, the Company entered into a new revolving credit agreement (Agreement) which allows the Company to borrow up to $35 million. Total debt issuance costs for this new agreement totaled approximately $0.5 million, and are being amortized over the term of the Agreement. This new Agreement has a term of three years and expires in April 2008. Accordingly, the Company has recorded its outstanding indebtedness at December 31, 2005 of $23.2 million as long-term debt. The Agreement has interest rates ranging from 0 to 75 basis points over the prime rate and 150 to 225 basis points over Libor, and provides certain of the Company's assets as security for outstanding borrowings. The Company is required to meet certain financial covenants in order to maintain borrowings under the Agreement, pay dividends, and make acquisitions. The Company was in compliance with these covenants at December 31, 2005. The Company borrows or repays its revolving debt as needed based upon its working capital obligations, including the timing of the U.S. bi-weekly payroll. Daily average borrowings for 2005 were $17.3 million. Payments for interest expense totaled approximately $1.1 million during 2005.

During the second quarter of 2005, the Company authorized an additional buyback of 1.0 million shares, bringing the total authorizations to repurchase shares of its common stock for treasury and the Company's stock trusts to 2.4 million shares. During 2005, the Company used $1.4 million to purchase approximately 0.4 million shares of its stock for treasury. At December 31, 2005, approximately 1.6 million shares have been repurchased in total under the authorizations, leaving 0.8 million shares authorized for future purchases.

At December 31, 2005, consolidated shareholders' equity totaled $57.0 million, an increase of $0.3 million from the December 31, 2004 total of $56.7 million. Net income in 2005 totaled $2.4 million, but was primarily offset by a foreign currency adjustment of $1.0 million, and the $1.4 million spent to purchase approximately 0.4 million shares of the Company's stock for treasury.

During 2005, the Company identified certain errors in the application of generally accepted accounting principles that affected the Company's retained earnings balance as of December 31, 2002. One item related to a deferred tax liability for property and equipment basis differences. The Company determined that this liability was overstated by approximately $0.4 million, and that the misstatement did not relate to 2003, 2004 or 2005. A second item related to the accounting for rent escalation clauses in long-term operating leases for several of the Company's leased offices. When recognizing operating lease expense for historical periods, the Company determined that it had not applied the requirement of SFAS No. 13, paragraph 15, *Accounting for Leases,* related to the straight-line recognition of operating lease expense. The Company determined that a liability of approximately $0.2 million ($0.1 million net of tax) was necessary at December 31, 2002. The net impact of these adjustments, totaling approximately $0.2 million, has been recorded as an adjustment to increase the Company's retained earnings balance as of December 31, 2002. No adjustment was made to the Company's consolidated statements of operations related to this matter for 2003 or 2004 as such amounts were not deemed material. Adjustments were made to the Company's 2005 statement of operations for certain of these items, the impact of which was not deemed material.

At December 31, 2005, the Company has restricted use to approximately $0.3 million of its cash and temporary cash investments as the funds are held as a guarantee by a financial institution for leased office space.

The Company believes existing internally available funds, cash potentially generated from operations, and available borrowings under the Company's revolving line of credit totaling approximately $11.5 million at December 31, 2005, will be sufficient to meet foreseeable working capital, capital expenditure, and stock repurchase requirements, and to allow for future internal growth and expansion.

## Off-Balance Sheet Arrangements

The Company did not have off-balance sheet arrangements or transactions in either 2005 or 2004.

## Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposures consist of interest rate risk associated with variable rate borrowings and foreign currency exchange risk associated with the Company's European operations.

At December 31, 2005, there was a total of $23.2 million outstanding under the Company's revolving credit agreement. As noted in "Financial Conditions and Liquidity," daily average borrowings for 2005 under the Company's revolving credit agreement were $17.3 million. Accordingly, a 1% increase or decrease in interest rates would have increased or decreased annual interest expense by approximately $173,000.

There was a nominal effect on revenue for changes in year-over-year foreign currency exchange rates. In Belgium and Luxembourg, the functional currency is the Euro, while in the United Kingdom the functional currency is the British pound. Had there been no change in these exchange rates from 2004 to 2005, total European revenue would have been approximately $0.1 million higher, or $48.4 million in total in Europe as compared to the $48.3 million reported in 2005. The Company has historically not used any market risk sensitive instruments to hedge its foreign currency exchange risk.

## Contractual Obligations

A summary of the Company's contractual obligations at December 31, 2005 is as follows:

| *(in millions)* | | Total | Less than 1 year | Years 2-3 | Years 4-5 | More than 5 years |
|---|---|---|---|---|---|---|
| Long-term debt | A | $ 23.2 | $ – | $ 23.2 | $ – | $ – |
| Capital lease obligations | B | 0.0 | 0.0 | 0.0 | – | – |
| Operating lease obligations | C | 14.1 | 4.6 | 6.1 | 1.8 | 1.6 |
| Purchase obligations | D | 1.4 | 1.0 | 0.4 | – | – |
| Deferred compensation benefits (United States) | E | 6.7 | 0.7 | 1.5 | 1.5 | 3.0 |
| Deferred compensation benefits (Europe) | F | – | – | – | – | – |
| Other long-term liabilities | G | 0.7 | 0.2 | 0.4 | 0.1 | – |
| | Total | $ 46.1 | $ 6.5 | $ 31.6 | $ 3.4 | $ 4.6 |

A On April 20, 2005, the Company entered into a new revolving credit agreement (Agreement) which allows the Company to borrow up to $35 million. This Agreement has a term of three years and expires in April 2008. The Company uses this facility to fund its working capital obligations as needed, primarily including funding the U.S. bi-weekly payroll.

The Company currently has two outstanding letters of credit totaling approximately $0.3 million that collateralize an office lease and an employee benefit program.

B The Company has one capital lease totaling less than $50,000, and is not committed to enter any other capital lease obligations at this time.

C Operating lease obligations relate to the rental of office space, office equipment, and automobiles leased in the Company's European operations. Total rental expense under operating leases in 2005, 2004, and 2003 was approximately $6.3 million, $7.4 million, and $7.5 million, respectively.

D The Company is currently obligated for purchase obligations in 2006 to spend approximately $1.0 million, including $0.6 million for software maintenance and support fees, $0.2 million for computer-based training courses, $0.1 million for recruiting services, and $0.1 million for a telephone and voicemail upgrade. In 2007, the Company's total purchase obligation for similar services totals $0.4 million.

E The Company is committed for deferred compensation benefits in the United States under two plans. The Executive Supplemental Benefit Plan (ESBP) provides a current and certain former key executives with deferred compensation benefits. The ESBP was amended as of November 30, 1994 to freeze benefits for participants at that time. Currently, 13 individuals are receiving benefits under this plan. The ESBP is deemed to be unfunded as the Company has not specifically identified Company assets to be used to discharge the deferred compensation benefit liabilities.

The Company also has a non-qualified defined-contribution deferred compensation plan for certain key executives. There were no contributions to this plan in 2005, and only one executive currently has a vested balance under the plan. The Company anticipates making contributions totaling approximately $0.2 million in 2006 to this plan for amounts earned in 2005.

F The Company retained a contributory defined-benefit plan for its previous employees located in The Netherlands when the Company disposed of its subsidiary, CTG Nederland B.V., in the first quarter of 2004. This plan was curtailed on January 1, 2003 for additional contributions. As this plan is nearly fully funded at December 31, 2005, the Company does not anticipate making significant additional payments to fund the Plan.

G The Company has other long-term liabilities including payments for a postretirement benefit plan and payments for taxes.

Consolidated

# Statements of Operations

| **Year ended December 31,**<br>*(amounts in thousands, except per-share data)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Revenue | **$ 294,465** | $ 237,122 | $ 245,514 |
| Direct costs | **226,663** | 173,025 | 178,530 |
| Selling, general, and administrative expenses | **62,877** | 60,999 | 61,453 |
| Operating income | **4,925** | 3,098 | 5,531 |
| Interest and other income | **101** | 103 | 61 |
| Interest and other expense | **(1,472)** | (780) | (968) |
| Income from continuing operations before income taxes | **3,554** | 2,421 | 4,624 |
| Provision (benefit) for income taxes | **1,131** | (546) | 1,942 |
| Income from continuing operations | **2,423** | 2,967 | 2,682 |
| Income (loss) from discontinued operations (including loss on disposal of $3.9 million in 2004) | **–** | (4,411) | 62 |
| Net income (loss) | **$ 2,423** | $ (1,444) | $ 2,744 |
| | | | |
| Basic net income (loss) per share: | | | |
| Continuing operations | **$ 0.14** | $ 0.18 | $ 0.16 |
| Discontinued operations | **–** | (0.27) | – |
| Basic net income (loss) per share | **$ 0.14** | $ (0.09) | $ 0.16 |
| | | | |
| Diluted net income (loss) per share: | | | |
| Continuing operations | **$ 0.14** | $ 0.17 | $ 0.16 |
| Discontinued operations | **–** | (0.25) | – |
| Diluted net income (loss) per share | **$ 0.14** | $ (0.08) | $ 0.16 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated

# Balance Sheets

| **December 31,** *(amounts in thousands, except share balances)* | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and temporary cash investments | $ 2,556 | $ 4,488 |
| Accounts receivable, net of allowances of $1,087 and $1,327 in 2005 and 2004, respectively | 71,940 | 46,771 |
| Prepaids and other | 1,978 | 2,103 |
| Income taxes receivable | – | 225 |
| Deferred income taxes | 1,767 | 1,572 |
| Total current assets | 78,241 | 55,159 |
| Property and equipment, net of accumulated depreciation of $25,377 and $24,618 in 2005 and 2004, respectively | 6,616 | 6,075 |
| Goodwill | 35,678 | 35,678 |
| Deferred income taxes | 4,987 | 4,717 |
| Other assets | 2,273 | 1,846 |
| Total assets | $ 127,795 | $ 103,475 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 9,277 | $ 9,263 |
| Accrued compensation | 22,153 | 16,831 |
| Advance billings on contracts | 1,312 | 1,922 |
| Other current liabilities | 4,773 | 5,030 |
| Current portion of long-term debt | – | 4,650 |
| Income taxes payable | 70 | – |
| Total current liabilities | 37,585 | 37,696 |
| Long-term debt | 23,150 | – |
| Deferred compensation benefits | 8,842 | 8,570 |
| Other long-term liabilities | 1,203 | 499 |
| Total liabilities | 70,780 | 46,765 |
| Shareholders' equity: | | |
| Common stock, par value $.01 per share, 150,000,000 shares authorized; 27,017,824 shares issued | 270 | 270 |
| Capital in excess of par value | 111,172 | 111,272 |
| Retained earnings | 41,646 | 39,223 |
| Less: Treasury stock of 6,525,890 and 6,148,990 shares at cost, respectively | (32,811) | (31,416) |
| Stock Trusts of 3,939,664 and 4,057,857 shares at cost, respectively | (57,542) | (58,045) |
| Accumulated other comprehensive loss: | | |
| Foreign currency adjustment | (4,221) | (3,205) |
| Minimum pension liability adjustment | (1,499) | (1,389) |
| Accumulated other comprehensive loss | (5,720) | (4,594) |
| Total shareholders' equity | 57,015 | 56,710 |
| Total liabilities and shareholders' equity | $ 127,795 | $ 103,475 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated
# Statements of Cash Flows

| **Year ended December 31,** *(amounts in thousands)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 2,423 | $ (1,444) | $ 2,744 |
| Income (loss) from discontinued operations | – | (4,411) | 62 |
| Income from continuing operations | 2,423 | 2,967 | 2,682 |
| Adjustments: | | | |
| Depreciation expense | 2,662 | 2,625 | 3,226 |
| Deferred income taxes | (567) | (187) | (86) |
| Tax benefit on stock option exercises | 31 | 18 | 4 |
| Loss on sales of property and equipment | 23 | 31 | 220 |
| Deferred compensation | 162 | 1 | 76 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (26,555) | (5,613) | 4,722 |
| (Increase) decrease in prepaids and other | 48 | 361 | (867) |
| (Increase) decrease in income taxes receivable, net | 374 | 866 | (1,219) |
| Increase in other assets | (12) | (75) | (16) |
| Increase (decrease) in accounts payable | (794) | 675 | 428 |
| Increase (decrease) in accrued compensation | 5,917 | (2,687) | (275) |
| Increase (decrease) in advanced billings on contracts | (609) | 628 | (313) |
| Increase in other current liabilities | 7 | 755 | 323 |
| Increase (decrease) in other long-term liabilities | 704 | (70) | (242) |
| Net cash provided by (used in) operating activities | (16,186) | 295 | 8,663 |
| **Cash flows from investing activities:** | | | |
| Additions to property and equipment | (3,422) | (1,841) | (1,492) |
| Proceeds from sales of property and equipment | 92 | 15 | 2,283 |
| Net cash provided by (used in) investing activities | (3,330) | (1,826) | 791 |
| **Cash flows from financing activities:** | | | |
| Proceeds from (payments on) long-term revolving debt, net | 18,500 | 4,650 | (8,497) |
| Change in cash overdraft, net | 1,165 | (2,094) | (557) |
| Debt issuance costs | (507) | – | – |
| Proceeds from Employee Stock Purchase Plan | 144 | 162 | 215 |
| Purchase of stock for treasury | (1,395) | – | – |
| Proceeds from other stock plans | 228 | 160 | 51 |
| Net cash provided by (used in) financing activities | 18,135 | 2,878 | (8,788) |
| **Cash flows from discontinued operations:** (revised - See note 1, "Statement of Cash Flows") | | | |
| Cash provided by (used in) operating activities | – | (2,308) | 1,215 |
| Cash used in investing activities | – | – | (180) |
| Cash from financing activities | – | – | – |
| Net cash provided by (used in) discontinued operations | – | (2,308) | 1,035 |
| Effect of exchange rate changes on cash and temporary cash investments | (551) | 252 | 625 |
| Net increase (decrease) in cash and temporary cash investments | (1,932) | (709) | 2,326 |
| Cash and temporary cash investments at beginning of year | 4,488 | 5,197 | 2,871 |
| Cash and temporary cash investments at end of year | $ 2,556 | $ 4,488 | $ 5,197 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated

# Statements of Changes in Shareholders' Equity

| *(amounts in thousands)* | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Earnings *(see note 2)* |
|---|---|---|---|---|
| **Balance as of December 31, 2002** | 27,018 | $ 270 | $ 111,465 | $ 37,923 |
| Employee Stock Purchase Plan share issuance | – | – | (99) | – |
| Stock Option Plan share issuance | – | – | (33) | – |
| Comprehensive income (loss): | | | | |
| Net income | – | – | – | 2,744 |
| Foreign currency adjustment | – | – | – | – |
| Minimum pension liability adjustment | – | – | – | – |
| Total comprehensive income (loss) | – | – | – | 2,744 |
| **Balance as of December 31, 2003** | 27,018 | 270 | 111,333 | 40,667 |
| Employee Stock Purchase Plan share issuance | – | – | (14) | – |
| Stock Option Plan share issuance | – | – | (47) | – |
| Comprehensive income (loss): | | | | |
| Net loss | – | – | – | (1,444) |
| Foreign currency adjustment | – | – | – | – |
| Minimum pension liability adjustment | – | – | – | – |
| Total comprehensive income (loss) | – | – | – | (1,444) |
| **Balance as of December 31, 2004** | 27,018 | 270 | 111,272 | 39,223 |
| Employee Stock Purchase Plan share issuance | – | – | (23) | – |
| Stock Option Plan share issuance | – | – | (77) | – |
| Purchase of stock | – | – | – | – |
| Comprehensive income (loss): | | | | |
| Net income | – | – | – | 2,423 |
| Foreign currency adjustment | – | – | – | – |
| Minimum pension liability adjustment | – | – | – | – |
| Total comprehensive income (loss) | – | – | – | 2,423 |
| **Balance as of December 31, 2005** | **27,018** | **$ 270** | **$ 111,172** | **$ 41,646** |

The accompanying notes are an integral part of these consolidated financial statements.

| Treasury Stock | | Stock Trusts | | Foreign Currency | Minimum Pension | Total Shareholders' |
|---|---|---|---|---|---|---|
| Shares | Amount | Shares | Amount | Adjustment | Liability Adjustment | Equity |
| 6,149 | $ (31,416) | 4,246 | $ (58,848) | $ (6,116) | $ (682) | $ 52,596 |
| – | – | (73) | 314 | – | – | 215 |
| – | – | (21) | 88 | – | – | 55 |
| | | | | | | |
| – | – | – | – | – | – | 2,744 |
| – | – | – | – | 1,276 | – | 1,276 |
| – | – | – | – | – | (529) | (529) |
| – | – | – | – | 1,276 | (529) | 3,491 |
| | | | | | | |
| 6,149 | $ (31,416) | 4,152 | (58,446) | (4,840) | (1,211) | 56,357 |
| – | – | (41) | 176 | – | – | 162 |
| – | – | (53) | 225 | – | – | 178 |
| | | | | | | |
| – | – | – | – | – | – | (1,444) |
| – | – | – | – | 1,635 | – | 1,635 |
| – | – | – | – | – | (178) | (178) |
| – | – | – | – | 1,635 | (178) | 13 |
| | | | | | | |
| 6,149 | $ (31,416) | 4,058 | (58,045) | (3,205) | (1,389) | 56,710 |
| – | – | (39) | 167 | – | – | 144 |
| – | – | (79) | 336 | – | – | 259 |
| 377 | (1,395) | – | – | – | – | (1,395) |
| | | | | | | |
| – | – | – | – | – | – | 2,423 |
| – | – | – | – | (1,016) | – | (1,016) |
| – | – | – | – | – | (110) | (110) |
| – | – | – | – | (1,016) | (110) | 1,297 |
| | | | | | | |
| **6,526** | **$ (32,811)** | **3,940** | **$ (57,542)** | **$ (4,221)** | **$ (1,499)** | **$ 57,015** |

## 1. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements include the accounts of Computer Task Group, Incorporated, and its subsidiaries (the Company or CTG), located primarily in North America and Europe. There are no unconsolidated entities, or off balance sheet arrangements. All inter-company accounts and transactions have been eliminated. Certain amounts in the prior years' consolidated financial statements and notes have been reclassified to conform to the current year presentation. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Such estimates primarily relate to the valuation of goodwill, allowances for doubtful accounts receivable and deferred tax assets, investment valuation, legal matters, actuarial assumptions, estimates of progress toward completion and direct profit or loss on fixed-price contracts, and discount rates and expected rates of return, as applicable, for the Company's defined benefit and postretirement benefit plans. Actual results could differ from those estimates.

The Company operates in one industry segment, providing IT staffing solutions services to its clients. These services include IT Staffing, Application Outsourcing, and IT Solutions. CTG provides these three primary services to all of the markets that it serves. The services provided typically encompass the IT business solution life cycle, including phases for planning, developing, implementing, managing, and ultimately maintaining the IT solution. A typical customer is an organization with large, complex information and data processing requirements. The Company promotes a portion of its services through four vertical market focus areas: Technology Service Providers, Financial Services, HealthCare, and Life Sciences.

### Revenue and Cost Recognition

The Company primarily recognizes revenue on time-and-materials and monthly fee contracts as hours are expended and costs are incurred. Fixed-price contracts accounted for under the percentage-of-completion method represented approximately three percent of 2005, four percent of 2004, and three percent of 2003 revenue, respectively. The amount of revenue recorded is a factor of the percentage of labor and overhead costs incurred to date to total estimated labor and overhead costs for each contract. Fixed-price contract costs include all direct labor and material costs and those indirect costs related to contract performance. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. As required, the Company includes billable expenses in its accounts as both revenue and direct costs. These billable expenses totaled $9.2 million, $8.3 million, and $6.7 million in 2005, 2004 and 2003, respectively.

Bad debt expense (benefit) in 2005, 2004 and 2003 was $(0.1) million, $0.4 million, and $0.5 million, respectively.

### Restricted Cash

At December 31, 2005, the Company has restricted use to approximately $0.3 million of its cash and temporary cash investments as the funds are held as a guarantee by a financial institution for leased office space.

### Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. At December 31, 2005 and 2004, the carrying amounts of the Company's financial instruments, which include cash and temporary cash investments ($2.6 million and $4.5 million, respectively), accounts receivable, net ($71.9 million and $46.8 million, respectively), accounts payable ($9.3 million and $9.3 million, respectively), and the current and non-current portions of long-term debt ($23.2 million and $4.7 million, respectively), approximate fair value.

### Property and Equipment

Property and equipment are generally stated at historical cost less accumulated depreciation (see "Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of"). Depreciation is computed using the straight-line method based on estimated useful lives of one year to 30 years, and begins after an asset has been put into service. The cost of property or equipment sold or otherwise disposed of, along with related accumulated depreciation, is eliminated from the accounts, and the resulting gain or loss is reflected in current earnings. Maintenance and repairs are charged to expense when incurred, while significant betterments to existing assets are capitalized.

### Leases

The Company is obligated under a number of long-term operating leases primarily for the rental of office space, office equipment and automobiles based in Europe. In instances where the Company has negotiated rent holidays, or leases that contain rent escalation clauses, the expense for those leases is recognized monthly on a straight line basis over the term of the lease.

### Goodwill

As of December 31, 2005 or 2004, the Company does not have any intangible assets other than goodwill recorded on its consolidated balance sheet. As of January 1, 2006 and 2005 with the assistance of an independent appraisal company, and as of January 1, 2004, the Company completed its annual valuation of the business unit to which the Company's goodwill relates. These valuations, as applicable, are based on estimates and assumptions that may analyze the appraised value of similar transactions from which the goodwill arose, the appraised value of similar companies, or estimates of future discounted cash flows. The valuations indicated that the estimated fair value of the business unit exceeded the carrying value of this unit in each period. Additionally, there are no facts or circumstances that arose during 2005, 2004 or 2003 that led management to believe the goodwill was impaired. Accordingly, the Company believes no additional impairment is required to be recorded in its consolidated financial results. The remaining goodwill balance at December 31, 2005 of $35.7 million is included in the Company's North American operations.

### Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be

held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

During the second quarter of 2003, the Company sold a property it owned for approximately $2.2 million. The Company recorded a loss of approximately $0.2 million at the time of the sale.

### Income Taxes

The Company provides deferred income taxes for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. In assessing the realizability of deferred tax assets, management considers, within each tax jurisdiction, whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Tax credits, if any, are accounted for as a reduction of the income tax provision in the year in which they are realized. For the years ended December 31, 2005, 2004, and 2003, the tax expense associated with the minimum pension liability adjustment (recorded in shareholders' equity) was $0.1 million, $0.1 million, and $0.4 million, respectively.

### Stock-Based Employee Compensation

The Company accounts for its stock-based employee compensation plans in accordance with the provisions of FAS No. 123, "Accounting for Stock-Based Compensation," and FAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which allows entities to continue to apply the intrinsic value recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, no stock-based employee compensation cost is reflected in the net income (loss) of the Company for the periods presented in these consolidated financial statements, as all options granted by the Company had an exercise price that was equal to or greater than the underlying common stock at the date of grant. See note 11, "Stock Option Plans."

On November 16, 2005, the Board of Directors of the Company approved the acceleration of the vesting of all unvested out-of-the money stock options previously awarded to its employees, including its executive officers and its directors under the Company's equity compensation plans having an exercise price greater than $3.48, which was the closing price of the Company's common stock on that date. Options to purchase approximately 1.1 million shares of the Company's common stock became exercisable immediately. The weighted-average exercise price of the options subject to the acceleration was $4.69.

The purpose of the acceleration was to enable the Company to eliminate future compensation expense the Company would otherwise recognize in its statements of operations with respect to these accelerated options upon the adoption of FASB Statement No. 123R, "Share-Based Payment" (FAS No. 123R). The Board of Directors took the action in the belief that it is in the best interest of the shareholders to minimize future compensation expense associated with stock options upon adoption of FAS No. 123R. FAS No. 123R is effective for the Company beginning in the first quarter of 2006 and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in the Company's consolidated financial statements. It is estimated that the maximum future compensation expense that would have been recorded in the Company's statements of operations had the vesting of these options not been accelerated is approximately $1.4 million. The impact of the acceleration of the vesting of the options on the Company's 2005 financial statements is disclosed in the pro forma footnote disclosures, as permitted under the transition guidance provided by the FASB, in note 11 "Stock Option Plans."

The following table details the effect on net income (loss) and basic and diluted net income (loss) per share as if the Company had adopted the fair value recognition provisions of FAS No. 123 as they apply to stock-based employee compensation:

| *(amounts in thousands, except per-share data)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Net income (loss), as reported | $ 2,423 | $ (1,444) | $ 2,744 |
| Stock-based employee compensation expense as calculated under the fair value method for all awards, net of tax | (2,502) | (1,082) | (1,253) |
| Pro forma net income (loss) | $ (79) | $ (2,526) | $ 1,491 |
| Basic net income (loss) per share: | | | |
| As reported | $ 0.14 | $ (0.09) | $ 0.16 |
| Pro forma | $ (0.00) | $ (0.15) | $ 0.09 |
| Diluted net income (loss) per share: | | | |
| As reported | $ 0.14 | $ (0.08) | $ 0.16 |
| Pro forma | $ (0.00) | $ (0.15) | $ 0.09 |

Pro forma amounts for compensation cost may not be indicative of the effects on earnings for future years. The Company's pro forma amounts of compensation expense, net of tax, are calculated using the straight-line method of calculating expense for the pro rata vesting that occurs for the Company's outstanding stock options.

## Net Income (Loss) Per Share

Basic and diluted earnings (loss) per share (EPS) for the years ended December 31, 2005, 2004, and 2003 are as follows:

| **For the year ended** *(amounts in thousands, except per-share data)* | Net Income (Loss) | Weighted-Average Shares | Earnings (Loss) per Share |
|---|---|---|---|
| **December 31, 2005** | | | |
| Basic EPS | | | |
| Income from continuing operations | $ 2,423 | 16,735 | $ 0.14 |
| Loss from discontinued operations | – | 16,735 | – |
| Net income | $ 2,423 | 16,735 | $ 0.14 |
| Diluted EPS | | | |
| Income from continuing operations | $ 2,423 | 17,066 | $ 0.14 |
| Loss from discontinued operations | – | 17,066 | – |
| Net income | $ 2,423 | 17,066 | $ 0.14 |
| **December 31, 2004** | | | |
| Basic EPS | | | |
| Income from continuing operations | $ 2,967 | 16,761 | $ 0.18 |
| Loss from discontinued operations | (4,411) | 16,761 | (0.27) |
| Net loss | $ (1,444) | 16,761 | $ (0.09) |
| Diluted EPS | | | |
| Income from continuing operations | $ 2,967 | 17,140 | $ 0.17 |
| Loss from discontinued operations | (4,411) | 17,140 | (0.25) |
| Net loss | $ (1,444) | 17,140 | $ (0.08) |
| **December 31, 2003** | | | |
| Basic EPS | | | |
| Income from continuing operations | $ 2,682 | 16,663 | $ 0.16 |
| Income from discontinued operations | 62 | 16,663 | – |
| Net income | $ 2,744 | 16,663 | $ 0.16 |
| Diluted EPS | | | |
| Income from continuing operations | $ 2,682 | 16,846 | $ 0.16 |
| Income from discontinued operations | 62 | 16,846 | – |
| Net income | $ 2,744 | 16,846 | $ 0.16 |

Weighted-average shares represent the average of issued shares less treasury shares and less the shares held in the Stock Trusts. In 2005, 2004 and 2003, the dilutive effect of outstanding stock options was 331,000, 379,000 and 183,000 weighted-average shares, respectively.

Options to purchase 2.3 million, 1.8 million, and 1.6 million shares of common stock were outstanding at December 31, 2005, 2004, and 2003, respectively, but were not included in the computation of diluted earnings per share, as the options' exercise price was greater than the average market price of the Company's common shares.

### Foreign Currency

The functional currency of the Company's foreign subsidiaries is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for assets and liabilities using current exchange rates in effect at the balance sheet date, for equity accounts using historical exchange rates, and for revenue and expense activity using the applicable month's average exchange rates. During 2005, the Company recorded a loss totaling approximately $0.1 million from a foreign currency transaction for the settlement of intercompany balances, while during 2004 the Company recorded a gain of approximately $30,000 from such transactions.

### Statements of Cash Flows

For purposes of the statement of cash flows, cash and temporary cash investments are defined as cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less. Additionally, as the Company does not fund its bank accounts for the checks it has written until the checks are presented to the bank for payment, the change in cash overdraft, net represents the increase or decrease in outstanding checks.

In 2005, the Company has separately disclosed the operating, investing and financing portions of the cash flows from discontinued operations in 2003 and 2004, whereas in prior periods these amounts were presented on a combined basis as a single amount in each year.

Interest paid during 2005, 2004, and 2003 amounted to $1.1 million, $0.4 million, and $0.5 million, respectively, while net income tax payments (receipts) totaled $0.7 million, $(1.5) million, and $1.1 million for the respective years.

### Related Party Transactions

The Company did not have any related party arrangements or transactions in 2005, 2004 or 2003.

### Accounting Standards Pronouncements

In December 2004, the FASB issued FAS No. 123R, "Share-Based Payment" (FAS 123R). FAS 123R establishes standards for the accounting for transactions in which the Company exchanges its equity instruments for goods or services. The standard requires the Company to measure the cost of services received in exchange for awards of equity instruments based upon the grant date fair value of the award. Currently, the Company only issues stock options in exchange for employee and director services. Under the new standard, the calculated cost of the equity awards will be recognized in the Company's results of operations over the period in which an employee or director is required to provide the services for the award. Compensation cost will not be recognized for employees or directors that do not render the requisite services. This new standard is effective for the Company as of January 1, 2006.

In May 2005, the FASB issued FAS No. 154, "Accounting Changes and Corrections of Errors" (FAS 154). FAS 154 replaces Accounting Principles Board (APB) Opinion No. 20, "Accounting Changes," and FAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." FAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle, as well as carrying forward some of the guidance in the previous statements. This new standard is effective for the Company for accounting changes and corrections of errors made in fiscal years beginning January 1, 2006. The Company is currently in the process of evaluating the effect of the adoption of this new standard, if any, on its financial condition and results of operations.

During 2005, the FASB issued FIN 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). This interpretation clarifies that the term "conditional asset retirement obligation" refers to a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the Company, but that the obligation to perform the asset retirement activity is not conditional. FIN 47 is applicable to the Company for the year ended December 31, 2005. The Company has reviewed its assets and business operations, including its leasing activities, and determined that the issuance of this interpretation did not have an impact on the Company's financial condition or results of operations.

## 2. Adjustment to Retained Earnings as of December 31, 2002

During 2005, the Company identified certain errors in the application of generally accepted accounting principles that affected the Company's retained earnings balance as of December 31, 2002. One item related to a deferred tax liability for property and equipment basis differences. The Company determined that this liability was overstated by approximately $0.4 million, and that the misstatement did not relate to 2003, 2004 or 2005. A second item related to the accounting for rent escalation clauses in long-term operating leases for several of the Company's leased offices. When recognizing operating lease expense for historical periods, the Company determined that it had not applied the requirement of SFAS No. 13, paragraph 15, *Accounting for Leases,* related to the straight-line recognition of operating lease expense. The Company determined that a liability of approximately $0.2 million ($0.1 million net of tax) was necessary at December 31, 2002. The net impact of these adjustments, totaling approximately $0.2 million, has been recorded as an adjustment to increase the Company's retained earnings balance as of December 31, 2002. No adjustment was made to the Company's consolidated statements of operations related to this matter for 2003 or 2004 as such amounts were not deemed material. Adjustments were made to the Company's 2005 statement of operations for certain of these items, the impact of which was not deemed material.

## 3. Discontinued Operations

During the first quarter of 2004, the Company disposed of its Dutch operating subsidiary, CTG Nederland B.V., in a transaction in which the Company sold the subsidiary's stock and transferred the unit's business, staff, and lease and equipment obligations to the unit's management team. The effective date of the disposition was January 1, 2004, and the transaction has been treated as discontinued operations in these consolidated financial statements. As part of the transaction, the Company retained the assets and liabilities related to the defined-benefit plan for its previous employees in The Netherlands (NDBP). At the time of the disposition, the net asset of the plan totaled approximately $0.5 million. The activities of the NDBP are discussed in note 8, "Deferred Compensation Benefits." This unit had previously been included in the financial results of the Company's European operations.

The loss from discontinued operations resulting from this divestiture totaled approximately $4.4 million in 2004, with approximately $4.3 million of that loss incurred in the first quarter of 2004. The loss includes a cumulative loss on disposal of approximately $3.9 million, and approximately $0.5 million from a foreign currency adjustment which had previously been reported as a direct charge to shareholders' equity. All activities related to this subsidiary have

been removed from the Company's individual accounts and subsequently combined and included on the line entitled "Income (loss) from discontinued operations" on the Company's Consolidated Statements of Operations.

Revenue, loss before income taxes, and income (loss) from discontinued operations for 2004 and 2003 are as follows:

| *(amounts in thousands)* | 2004 | 2003 |
|---|---|---|
| Revenue | $ – | $ 6,827 |
| Loss before income taxes | $ – | $ (1,762) |
| Income (loss) from discontinued operations | $ (4,411) | $ 62 |

During 2003, the Company recorded a tax refund and interest thereon of approximately $1.1 million and $0.6 million, respectively, resulting from the resolution of a court case in The Netherlands which for tax purposes created a net operating loss benefit for the Company's Dutch subsidiaries. This refund was received in 2004 and included above as part of the income from discontinued operations in 2003.

## 4. Property and Equipment

Property and equipment at December 31, 2005 and 2004 are summarized as follows:

| **December 31,** *(amounts in thousands)* | Useful Life *(years)* | **2005** | 2004 |
|---|---|---|---|
| Land | – | **$ 378** | $ 378 |
| Buildings | 30 | **4,448** | 4,527 |
| Equipment | 2-5 | **10,894** | 10,633 |
| Furniture | 5-10 | **4,510** | 4,860 |
| Software | 1-5 | **8,901** | 7,494 |
| Leasehold improvements | 3-10 | **2,862** | 2,801 |
| | | **31,993** | 30,693 |
| Less accumulated depreciation | | **(25,377)** | (24,618) |
| | | **$ 6,616** | $ 6,075 |

## 5. Debt

On April 20, 2005, the Company entered into a new revolving credit agreement (Agreement) which allows the Company to borrow up to $35 million. This new Agreement has a term of three years and expires in April 2008. Accordingly, the Company has recorded its outstanding indebtedness at December 31, 2005 of $23.2 million as long-term debt. The Agreement has interest rates ranging from 0 to 75 basis points over the prime rate and 150 to 225 basis points over Libor, and provides certain of the Company's assets as security for outstanding borrowings. The Company is required to meet certain financial covenants in order to maintain borrowings under the Agreement, pay dividends, and make acquisitions. At December 31, 2005, the Company was in compliance with these covenants. Prior to signing this new Agreement, the Company had a previous revolving credit agreement which expired in May 2005. At December 31, 2005 and 2004, there were $23.2 million and $4.7 million outstanding, respectively, under these agreements. Additionally, at December 31, 2005 and 2004, there were $0.3 million and $0.2 million, respectively, outstanding under letters of credit under these agreements.

The maximum amounts outstanding under the revolving credit agreements during 2005, 2004, and 2003 were $29.4 million, $14.7 million, and $20.7 million, respectively. Average bank borrowings outstanding for the years 2005, 2004, and 2003 were $17.3 million, $8.6 million, and $12.4 million, respectively, and carried weighted-average interest rates of 6.0%, 3.5%, and 3.4%, respectively. The Company incurred commitment fees totaling approximately $0.1 million in each of 2005, 2004 and 2003 relative to the agreements.

## 6. Income Taxes

The provision (benefit) for income taxes for 2005, 2004, and 2003 consists of the following:

| *(amounts in thousands)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| **Domestic and foreign components of income (loss) before income taxes are as follows:** | | | |
| Domestic | **$ 2,835** | $ 2,552 | $ 6,049 |
| Foreign | **719** | (131) | (1,425) |
| | **$ 3,554** | $ 2,421 | $ 4,624 |
| **The provision (benefit) for income taxes consists of:** | | | |
| Current tax: | | | |
| U.S. federal | **$ 557** | $ 201 | $ 1,648 |
| Foreign | **344** | (683) | – |
| U.S. state and local | **108** | 188 | 545 |
| | **1,009** | (294) | 2,193 |
| Deferred tax: | | | |
| U.S. federal | **(246)** | 12 | (165) |
| Foreign | **360** | 316 | (133) |
| U.S. state and local | **8** | (580) | 47 |
| | **122** | (252) | (251) |
| | **$ 1,131** | $ (546) | $ 1,942 |
| **The effective and statutory income tax rate can be reconciled as follows:** | | | |
| Tax at statutory rate of 34% | **$ 1,208** | $ 823 | $ 1,572 |
| State tax, net of federal benefits | **99** | 102 | 360 |
| Benefit of state net operating losses previously offset by valuation allowances | **(29)** | (356) | – |
| Non-taxable income | **(557)** | (455) | (206) |
| Non-deductible expenses | **712** | 600 | 227 |
| Change in beginning of year temporary differences | **–** | (151) | – |
| Change in estimate primarily related to recent tax legislation enacted in Europe | **–** | (639) | – |
| Change in estimate primarily related to foreign taxes | **(161)** | – | – |
| Change in estimate primarily related to state taxes | **(88)** | – | – |
| Benefit of foreign net operating losses previously offset by valuation allowances | **(66)** | (524) | – |
| Foreign tax rate change | **–** | 47 | – |
| Other, net | **13** | 7 | (11) |
| | **$ 1,131** | $ (546) | $ 1,942 |
| Effective income tax rate | **31.8%** | (22.6)% | 42.0% |

The estimated effective tax rate (ETR) used to calculate the provision for income taxes from continuing operations was 31.8% in 2005 and a benefit of (22.6)% in 2004. The ETR is recalculated quarterly based upon current assumptions relating to the full year's estimated operating results, and various tax related items. In 2005, the ETR was reduced due to a change in estimate of approximately $0.1 million for state taxes and a reduction in the valuation allowance for net operating losses in Canada totaling approximately $0.2 million. The increase in the rate in 2005 as compared to 2004 is primarily due to the Company utilizing in 2004 previously recorded net operating loss tax benefits of approximately $0.5 million for its European and Canadian operations that had been fully offset by a valuation allowance, a release of approximately $0.6 million of previously recorded tax liabilities resulting from the Company's interpretation of tax legislation enacted in Europe, $0.4 million for state tax net operating loss tax benefits that had previously been fully offset by a valuation allowance, and a net amount of approximately $0.2 million from the release of other deferred tax items.

The Company's deferred tax assets and liabilities at December 31, 2005 and 2004 consist of the following:

| **December 31,** *(amounts in thousands)* | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| Deferred compensation | $ 3,352 | $ 3,251 |
| Loss carryforwards | 3,353 | 4,995 |
| Accruals deductible for tax purposes when paid | 747 | 189 |
| Depreciation | 30 | – |
| Allowance for doubtful accounts | 338 | 421 |
| Amortization | 798 | 918 |
| State taxes | 728 | 643 |
| Gross deferred tax assets | 9,346 | 10,417 |
| Deferred tax assets valuation allowance | (2,559) | (3,899) |
| **Liabilities** | | |
| Depreciation | (33) | (229) |
| Net deferred tax assets | $ 6,754 | $ 6,289 |
| Net deferred assets and liabilities are recorded at December 31, 2005 and 2004 as follows: | | |
| Net current assets | $ 1,767 | $ 1,572 |
| Net non-current assets | 4,987 | 4,717 |
| Net deferred tax assets | $ 6,754 | $ 6,289 |

In assessing the realizability of deferred tax assets, management considers, within each taxing jurisdiction, whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Factors that may affect the Company's ability to achieve sufficient forecasted taxable income in future periods may include, but are not limited to, the following: increased competition, a decline in sales or margins, a loss of market share, the availability of qualified professional staff, and a decrease in demand for IT services. Based upon the levels of historical taxable income or loss and projections for future taxable income or loss over the years in which the deferred tax assets are deductible, at December 31, 2005 management believes that it is more likely than not that the Company will realize the benefits, net of the established valuation allowance, of these deferred tax assets in the future.

For the loss carryforwards the Company has recorded as deferred tax assets, the expiration of the various state net operating loss carryforwards totaling approximately $13.2 million is 5 to 20 years and these losses began to expire in 2005. For Canada, the expiration of the net operating loss carryforward totaling $0.4 million is 7 years and begins to expire in 2008, and for Europe, the net operating loss carryforwards for The Netherlands and United Kingdom total approximately $8.3 million, and have no expiration date.

At December 31, 2005, the Company has a deferred tax asset before the valuation allowance resulting from net operating losses in various states of approximately $0.6 million, in The Netherlands of approximately $2.3 million, and approximately $0.5 million in various other countries where it does business. Management of the Company has analyzed each jurisdiction's tax position, including forecasting potential operating profits in future years, and the expiration of the net operating loss carryforwards as applicable, and determined that it is unclear whether all of the deferred tax asset totaling $3.4 million will be realized at any point in the future. Accordingly, at December 31, 2005, the Company has offset a portion of the asset with a valuation allowance totaling $2.6 million, resulting in a net deferred tax asset from net operating loss carryforwards of approximately $0.8 million. During 2005 the valuation allowance was reduced by approximately $1.3 million, net due to a variety of factors including the Company utilizing recorded net operating loss benefits of approximately $0.1 million for its Canadian operations, and $0.2 million related to the reversal of the remaining Canadian valuation allowance due to a change in estimate. In 2005, The Netherlands tax authorities settled an audit of the Company's Dutch foreign subsidiary's 2001 income tax return. A resulting decrease in The Netherlands Company's net operating loss carry forward of $0.9 million was due primarily to the disallowance of interest expense on an intercompany loan with its US parent under thin capitalization rules recently affirmed by The Netherlands court system. This change had no net effect on the net deferred asset after a corresponding adjustment in the valuation allowance which fully offsets the deferred tax asset.

During 2004, the Company adopted a tax planning strategy for state tax purposes whereby it combined its operating subsidiary in the United States into the parent corporation. This combination allows the Company to utilize its net operating loss in many of the various states where a net operating loss carryforward exists. Due to the adoption of this strategy at the end of the fourth quarter of 2004, the Company was able to recognize $0.5 million for state tax net operating loss tax benefits that had previously been fully offset by a valuation allowance. At December 31, 2005, there is approximately $0.4 million of valuation allowance remaining that offsets the state net operating loss deferred tax asset.

Undistributed earnings of the Company's foreign subsidiaries were minimal at December 31, 2005, and are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject

to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. In the event that the foreign entities' earnings were distributed, it is estimated that U.S. federal and state income taxes, net of foreign credits, would be immaterial. The Company has reviewed the provisions of the American Jobs Creation Act of 2004 and determined that its provisions have no effect on the operations of the Company.

In 2005, 2004, and 2003, 74,000, 37,000, and 13,000 shares of common stock, respectively, were issued through the exercise of non-qualified stock options or through the disqualifying disposition of incentive stock options. The tax benefit to the Company from these transactions, which is credited to capital in excess of par value rather than recognized as a reduction of income tax expense, was $31,000, $18,000, and $4,000 in 2005, 2004, and 2003, respectively. These tax benefits have also been recognized in the consolidated balance sheets as a reduction of current taxes payable.

The Company has established reserves for tax contingencies based upon the probable outcome of tax positions taken for financial statement purposes compared to positions taken on the Company's tax returns. The Company reviews its tax-contingency reserves on a quarterly basis to ensure they are appropriately stated. Such reviews include consideration of factors such as the cause of the action, the degree of probability of an unfavorable outcome, the Company's ability to estimate the liability, and the timing of the liability and how it will impact the Company's other tax attributes. At December 31, 2005, the Company believes it has adequately provided for its tax-related liabilities.

## 7. Lease Commitments

At December 31, 2005, the Company was obligated under a number of long-term operating leases. Minimum future obligations under such leases are summarized as follows:

| **Year ending December 31,** *(amounts in thousands)* | |
|---|---|
| 2006 | $ 4,594 |
| 2007 | 3,661 |
| 2008 | 2,420 |
| 2009 | 1,195 |
| 2010 | 611 |
| Later years | 1,648 |
| Minimum future obligations | $ 14,129 |

The operating lease obligations relate to the rental of office space, office equipment, and automobiles leased in Europe. Total rental expense under such operating leases for 2005, 2004, and 2003 was approximately $6.3 million, $7.4 million, and $7.5 million, respectively.

## 8. Deferred Compensation Benefits

The Company maintains a non-qualified defined-benefit Executive Supplemental Benefit Plan (ESBP) that provides a current and certain former key executives with deferred compensation benefits, based on years of service and base compensation, payable during retirement. The plan was amended as of November 30, 1994, to freeze benefits for participants at that time.

Net periodic pension cost for the years ended December 31, 2005, 2004, and 2003 for the ESBP is as follows:

| **Net Periodic Pension Cost - ESBP** *(amounts in thousands)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Interest cost | **$ 513** | $ 532 | $ 538 |
| Amortization of unrecognized net loss | **108** | 87 | 22 |
| Net periodic pension cost | **$ 621** | $ 619 | $ 560 |

The Company also retained a contributory defined-benefit plan for its previous employees located in The Netherlands (NDBP) when the Company disposed of its subsidiary, CTG Nederland, B.V., in the first quarter of 2004. Benefits paid are a function of a percentage of career average pay. The Plan was curtailed for additional contributions in January 2003.

Net periodic pension cost for the twelve month period ended September 30, 2005, October 1, 2004, and September 26, 2003 for the NDBP is as follows:

| **Net Periodic Pension Cost (Benefit) - NDBP** *(amounts in thousands)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Service cost | **$ –** | $ – | $ 110 |
| Interest cost | **252** | 232 | 216 |
| Expected return on plan assets | **(281)** | (285) | (251) |
| Amortization of actuarial loss | **1** | – | – |
| Employee contributions | **–** | – | (60) |
| Net periodic pension cost (benefit) | **$ (28)** | $ (53) | $ 15 |

The change in benefit obligation and reconciliation of fair value of plan assets for the year ended December 31, 2005 and 2004 for the ESBP, and for the twelve month period ended September 30, 2005 and October 1, 2004 for the NDBP are as follows:

| **Changes in Benefit Obligation** *(amounts in thousands)* | ESBP | | NDBP | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Benefit obligation at beginning of period | $ 9,103 | $ 8,833 | $ 4,869 | $ 4,321 |
| Service cost, net | – | – | – | – |
| Interest cost | 513 | 532 | 252 | 232 |
| Benefits paid | (698) | (646) | (23) | (20) |
| Actuarial (gain) loss | 241 | 384 | 250 | (107) |
| Effect of exchange rate changes | – | – | 426 | 443 |
| Benefit obligation at end of period | 9,159 | 9,103 | 5,774 | 4,869 |
| **Reconciliation of Fair Value of Plan Assets** | | | | |
| Fair value of plan assets at beginning of period | – | – | 5,511 | 4,827 |
| Actual return on plan assets | – | – | 441 | 208 |
| Employer contributions | 698 | 646 | – | – |
| Employee contributions | – | – | – | – |
| Benefits paid | (698) | (646) | (23) | (20) |
| Effect of exchange rate changes | – | – | (195) | 496 |
| Fair value of plan assets at end of period | – | – | 5,734 | 5,511 |
| Unfunded (funded) status | 9,159 | 9,103 | 40 | (642) |
| Unrecognized net actuarial gain (loss) | (2,448) | (2,315) | (664) | 25 |
| Accrued benefit cost (asset) | $ 6,711 | $ 6,788 | $ (624) | $ (617) |
| Discount rate: | | | | |
| Benefit obligation | 5.60% | 5.85% | 4.10% | 5.00% |
| Net periodic pension cost | 5.85% | 6.25% | 4.10% | 5.00% |
| Salary increase rate | – | – | – | – |
| Expected return on plan assets | – | – | 5.00% | 5.50% |

For the ESBP, the accumulated benefit obligation at December 31, 2005 and 2004 was $9.2 million and $9.1 million, respectively. The amounts included in other comprehensive income (loss) relating to the adjustment to the minimum pension liability for the years ended December 31, 2005 and 2004, net of tax, were approximately $(0.1) million and $(0.2) million, respectively. Benefits paid to participants are funded by the Company as needed. The plan is deemed unfunded as the Company has not specifically identified Company assets to be used to discharge the deferred compensation benefit liabilities. The Company has purchased insurance on the lives of certain plan participants in amounts considered sufficient to reimburse the Company for the costs associated with the plan for those participants. The Company does not anticipate making contributions to the plan in 2006 and future years to fund the plan.

For the NDBP, the accumulated benefit obligation at September 30, 2005 and October 1, 2004 was $5.8 million and $4.9 million, respectively. The assets in the NDBP are 20% invested in the Aegon World Equity Fund. This fund invests in global equities, with a small portion of the fund in new or emerging economies. The remaining 80% of the assets are invested as determined by Aegon with no direction from the Company, with a guaranteed minimum return to the Company of 4%. The historical return to the Company on these investments has been approximately 4.5%. The Company's investments were allocated as indicated above in both 2004 and 2005, and the Company does not anticipate changing these allocation percentages in 2006. The expected return on plan assets for 2004 and 2005 was a function of the average historical return of 4.5% on the 80% of the funds invested by Aegon, and a historical return of 9% on the 20% of the funds invested in the Aegon Equity Fund. The Company does not anticipate making significant additional contributions to the plan in 2006 and future years, as the plan is currently nearly fully funded.

Anticipated benefit payments for the ESBP and the NDBP are expected to be paid in future years as follows:

| **Year ending December 31,** *(amounts in thousands)* | ESBP | NDBP |
|---|---|---|
| 2006 | $ 703 | $ 31 |
| 2007 | 736 | 31 |
| 2008 | 759 | 41 |
| 2009 | 779 | 46 |
| 2010 | 761 | 61 |
| 2011-2015 | 3,607 | 518 |
| | $ 7,345 | $ 728 |

The Company also maintains a non-qualified defined-contribution deferred compensation plan for certain key executives. The Company contributions to this plan, if any, are based on annually defined financial performance objectives. There were no contributions to the plan in 2005, 2004, or 2003. The Company anticipates making contributions totaling approximately $0.2 million in 2006 to this plan for amounts earned in 2005.

## 9. Employee Benefits

### 401(k) Profit-Sharing Retirement Plan

The Company maintains a contributory 401(k) profit-sharing retirement plan covering substantially all U.S. employees. Company contributions, which are discretionary, consist of cash, and may include the Company's stock, were funded and charged to operations in the amounts of $2.1 million, $1.3 million, and $1.6 million for 2005, 2004, and 2003, respectively.

### Other Retirement Plans

The Company maintains various other defined contribution retirement plans covering substantially all of the remaining European employees. Company contributions charged to operations were $0.2 million in 2005, $0.1 million in 2004, and $0.1 million in 2003.

### Other Postretirement Benefits

The Company provides limited healthcare and life insurance benefits to one current and nine retired employees and their spouses, totaling 16 participants, pursuant to contractual agreements.

Net periodic postretirement benefit cost for the years ended December 31, 2005, 2004, and 2003 is as follows:

| **Net Periodic Postretirement Benefit Cost** *(amounts in thousands)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Interest cost | $ 37 | $ 38 | $ 35 |
| Amortization of transition amount | 29 | 29 | 29 |
| Net periodic postretirement benefit cost | $ 66 | $ 67 | $ 64 |

No adjustments were made to the 2005 net periodic postretirement benefit cost due to Medicare reform as the amounts were deemed to be insignificant.

The change in postretirement benefit obligation at December 31, 2005 and 2004 is as follows:

| **Change in Postretirement Benefit Obligation** *(amounts in thousands)* | **2005** | 2004 |
|---|---|---|
| Postretirement benefit obligation at beginning of year | $ 666 | $ 637 |
| Interest cost | 37 | 38 |
| Plan amendment | (2) | – |
| Benefits paid | (42) | (16) |
| Actuarial loss | 114 | 7 |
| Postretirement benefit obligation at end of year | 773 | 666 |
| Fair value of plan assets at end of year | – | – |
| Unfunded status | 773 | 666 |
| Unrecognized transition obligation | (205) | (234) |
| Plan amendment | 2 | – |
| Unrecognized gain | (178) | (64) |
| Accrued postretirement benefit obligation | $ 392 | $ 368 |
| Discount rate: | | |
| Benefit obligation | 5.60% | 5.85% |
| Net periodic postretirement benefit cost | 5.85% | 6.25% |
| Salary increase rate | – | – |

Benefits paid to participants are funded by the Company as needed. Anticipated benefit payments for the postretirement medical plan are expected to be paid in future years as follows:

| **Year ending December 31,** *(amounts in thousands)* | |
|---|---|
| 2006 | $ 78 |
| 2007 | 68 |
| 2008 | 73 |
| 2009 | 71 |
| 2010 | 60 |
| 2011-2015 | 281 |
| | $ 631 |

The rate of increase in healthcare costs is assumed to be 12% for medical, 7% for dental, and 12% for Medicare Part B in 2006, gradually declining to 5% by the year 2013 and remaining at that level thereafter. Increasing the assumed healthcare cost trend rate by one percentage point would increase the accrued postretirement benefit obligation by $56,000 at December 31, 2005, and the net periodic postretirement benefit cost by $2,600 for the year. A one-percentage-point decrease in the healthcare cost trend would decrease the accrued postretirement benefit obligation by $49,000 at December 31, 2005, and the net periodic postretirement benefit cost by $2,300 for the year.

## 10. Shareholders' Equity

### Employee Stock Purchase Plan

Under the Company's First Employee Stock Purchase Plan (Plan), employees may apply up to 10% of their compensation to purchase the Company's common stock. Shares are purchased at the closing market price on the business day preceding the date of purchase. During 2001, an additional 0.5 million shares were authorized under the Plan. As of December 31, 2005, approximately 184,000 shares remain unissued under the Plan, of the total of 11.5 million shares that had been authorized under the Plan. During 2005, 2004, and 2003, approximately 39,000, 41,000, and 73,000 shares, respectively, were purchased under the plan at an average price of $3.66, $3.92, and $2.92 per share, respectively.

### Shareholder Rights Plan

The Board of Directors adopted a Shareholder Rights Plan in January 1989. Under the plan, one right was distributed for each share of common stock outstanding on January 27, 1989, and on each additional share of common stock issued after that date and prior to the date the rights become exercisable. The rights become exercisable when 20% or more of the Company's outstanding common stock is acquired by a person or group, other than Company-provided employee benefit plans, and when an offer to acquire is made. Each right entitles the holder to purchase Series A preferred stock (which is essentially equivalent to common stock) at a 50% discount from the then-market price of the common stock or, in the event of a merger, consolidation, or sale of a major part of the Company's assets, to purchase common stock of the acquiring company at a 50% discount from its then-market price. The Shareholder Rights Plan was amended in 1999 to provide that the rights expire in November 2008. The rights may be redeemed by the Company at a price of $.01 per right.

### Stock Trusts

The Company maintains a Stock Employee Compensation Trust (SECT) to provide funding for existing employee stock plans and benefit programs. Shares are purchased by and released from the SECT by the trustee of the SECT at the request of the compensation committee of the Board of Directors. As of December 31, 2005, all shares remaining in the SECT were unallocated and, therefore, are not considered outstanding for purposes of calculating earnings per share.

SECT activity for 2005, 2004, and 2003 is as follows:

| *(amounts in thousands)* | **2005** | 2004 | 2003 |
|---|---|---|---|
| Share balance at beginning of year | 3,999 | 4,093 | 4,187 |
| Shares purchased | – | – | – |
| Shares released: | | | |
| Stock option plans | (79) | (53) | (21) |
| Employee Stock Purchase Plan | (39) | (41) | (73) |
| Share balance at end of year | 3,881 | 3,999 | 4,093 |

During 1999, the Company created an Omnibus Stock Trust (OST) to provide funding for various employee benefit programs. During 1999, the OST purchased 59,000 shares for $1 million. Shares are released from the OST by the trustee at the request of the compensation committee of the Board of Directors. During 2005, 2004, and 2003, no shares were purchased or released by the OST.

### Restricted Stock Plan

Under the Company's Restricted Stock Plan, 800,000 shares of restricted stock may be granted to certain key employees. At December 31, 2005, there are no restricted stock grants outstanding, and there was no restricted stock activity in 2003, 2004, or 2005.

### Preferred Stock

At December 31, 2005 and 2004, the Company has 2,500,000 shares of par value $0.01 preferred stock authorized for issuance, but none outstanding.

## 11. Stock Option Plans

On April 26, 2000, the shareholders approved the Company's Equity Award Plan (Equity Plan). Under the provisions of the plan, stock options, stock appreciation rights, and other awards may be granted or awarded to employees and directors of the Company. The compensation committee of the Board of Directors determines the nature, amount, pricing, and vesting of the grant or award. All options and awards remain in effect until the earlier of the expiration, exercise, or surrender date.

On April 24, 1991, the shareholders approved the Company's 1991 Employee Stock Option Plan (1991 Plan), which came into effect after the Company's 1981 Employee Stock Option Plan (1981 Plan) terminated on April 21, 1991. Under the provisions of the plan, options may be granted to employees and directors of the Company. The option price for options granted under each plan is equal to or greater than the fair market value of the Company's common stock on the date the option is granted. Incentive stock options generally become exercisable in four annual installments of 25% of the shares covered by the grant, beginning one year from the date of grant, and expire six years after becoming exercisable. Nonqualified stock options generally become exercisable in either four or five annual installments of 20 or 25% of the shares covered by the grant, beginning one year from the date of grant, and expire up to 15 years from the date of grant. All options remain in effect until the earlier of the expiration, exercise, or surrender date.

The per-option weighted-average fair value on the date of grant of stock options granted in 2005, 2004, and 2003, using the Black-Scholes option pricing model, was $2.12, $2.32, and $1.85, respectively. The fair value of the options at the date of grant was estimated with the following weighted-average assumptions:

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Expected life (years) | 3.4 | 3.8 | 3.5 |
| Dividend yield | 0.0% | 0.0% | 0.0% |
| Risk-free interest rate | 3.7% | 2.8% | 2.3% |
| Expected volatility | 68.0% | 78.4% | 84.9% |

The Company accounts for its stock-based employee compensation plans in accordance with the provisions of FAS No. 123, "Accounting for Stock-Based Compensation," and FAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which allows entities to continue to apply the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in the net income (loss) of the Company for the periods presented in these consolidated financial statements, as all options granted by the Company had an exercise price that was equal to or greater than the underlying common stock at the date of grant.

On November 16, 2005, the Board of Directors of the Company approved the acceleration of the vesting of all unvested out-of-the money stock options previously awarded to its employees, including its executive officers and its directors under the Company's equity compensation plans having an exercise price greater than $3.48, which was the closing price of the Company's common stock on that date. Options to purchase approximately 1.1 million shares of the Company's common stock became exercisable immediately. The weighted-average exercise price of the options subject to the acceleration was $4.69.

The purpose of the acceleration was to enable the Company to eliminate future compensation expense the Company would otherwise recognize in its statements of operations with respect to these accelerated options upon the adoption of FAS No. 123R "Share-Based Payment" (FAS No. 123R). The Board of Directors took the action in the belief that it is in the best interest of the shareholders to minimize future compensation expense associated with stock options upon adoption of FAS No. 123R. FAS No. 123R is effective for the Company beginning in the first quarter of 2006 and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as a footnote disclosure in the Company's consolidated financial statements. It is estimated that the maximum future compensation expense that would have been recorded in the Company's statements of operations had the vesting of these options not been accelerated is approximately $1.4 million.

The following table details the effect on net income (loss) and basic and diluted net income (loss) per share as if the Company had adopted the fair value recognition provisions of FAS No. 123 as they apply to stock-based employee compensation:

| *(amounts in thousands, except per-share data)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Net income (loss), as reported | $ 2,423 | $ (1,444) | $ 2,744 |
| Stock-based employee compensation expense as calculated under the fair value method for all awards, net of tax | (2,502) | (1,082) | (1,253) |
| Pro forma net income (loss) | $ (79) | $ (2,526) | $ 1,491 |
| Basic net income (loss) per share: | | | |
| As reported | $ 0.14 | $ (0.09) | $ 0.16 |
| Pro forma | $ (0.00) | $ (0.15) | $ 0.09 |
| Diluted net income (loss) per share: | | | |
| As reported | $ 0.14 | $ (0.08) | $ 0.16 |
| Pro forma | $ (0.00) | $ (0.15) | $ 0.09 |

Pro forma amounts for compensation cost may not be indicative of the effects on earnings for future years. The Company's pro forma amounts of compensation expense, net of tax, are calculated using the straight-line method of calculating expense for the pro rata vesting that occurs for the Company's outstanding stock options.

A summary of stock option activity under these plans is as follows:

| | Equity Plan Options | Weighted-Average Exercise Price | 1991 Plan Options | Weighted-Average Exercise Price |
|---|---|---|---|---|
| **Outstanding at December 31, 2002** | 1,654,750 | $ 3.52 | 1,376,750 | $14.22 |
| Granted | 507,000 | $ 3.14 | – | – |
| Exercised | (15,000) | $ 2.35 | (5,625) | $ 2.88 |
| Canceled, expired, and forfeited | (161,500) | $ 3.92 | (169,750) | $15.16 |
| **Outstanding at December 31, 2003** | 1,985,250 | $ 3.40 | 1,201,375 | $14.14 |
| Granted | 944,500 | $ 4.05 | – | – |
| Exercised | (28,250) | $ 3.16 | (24,750) | $ 2.87 |
| Canceled, expired, and forfeited | (167,500) | $ 3.54 | (226,587) | $17.07 |
| **Outstanding at December 31, 2004** | 2,734,000 | $ 3.62 | 950,038 | $13.74 |
| Granted | 733,500 | $ 4.18 | – | – |
| Exercised | (69,500) | $ 2.89 | (9,375) | $ 2.87 |
| Canceled, expired, and forfeited | (173,250) | $ 3.71 | (71,699) | $18.85 |
| **Outstanding at December 31, 2005** | **3,224,750** | **$ 3.76** | **868,964** | **$13.43** |

At December 31, 2005, 2004, and 2003, the number of options exercisable under the Equity Plan was 2,509,000, 965,625, and 615,000, respectively, and the weighted-average exercise price of those options was $3.95, $3.37 and $3.37, respectively. At December 31, 2005, 2004, and 2003, the number of options exercisable under the 1991 Plan was 868,964, 913,288, and 1,019,875, respectively, and the weighted-average exercise price of those options was $13.43, $14.05, and $15.38, respectively.

A summary of the range of exercise prices and the weighted-average remaining contractual life of outstanding options at December 31, 2005 for the Equity and 1991 Plans is as follows:

| | Range of Exercise Prices | Options Outstanding at December 31, 2005 | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (years) |
|---|---|---|---|---|
| Equity Plan | $ 1.40 to $ 1.96 | 280,000 | $ 1.60 | 5.9 |
| | $ 2.24 to $ 3.26 | 1,328,875 | $ 3.07 | 9.7 |
| | $ 3.48 to $ 4.90 | 1,155,875 | $ 4.35 | 7.9 |
| | $ 5.30 to $ 5.94 | 460,000 | $ 5.56 | 8.7 |
| 1991 Plan | $ 2.88 | 109,750 | $ 2.88 | 3.3 |
| | $ 5.13 to $ 6.13 | 260,000 | $ 5.93 | 6.9 |
| | $ 9.44 | 12,500 | $ 9.44 | 0.1 |
| | $14.88 to $21.94 | 425,688 | $18.29 | 2.0 |
| | $26.06 to $37.19 | 61,026 | $31.31 | 3.4 |

At December 31, 2005, there were 1,162,500 and 0 shares available for grant under the Equity Plan and 1991 Plan, respectively.

## 12. Significant Customer

International Business Machines (IBM) is the Company's largest customer. IBM accounted for $105.5 million or 35.8%, $52.6 million or 22.2%, and $51.9 million or 21.1% of consolidated 2005, 2004, and 2003 revenue, respectively. The Company's accounts receivable from IBM at December 31, 2005 and 2004 amounted to $33.9 million and $10.9 million, respectively. The Company expects to continue to derive a significant portion of its revenue from IBM in 2006 and in future years. No other customer accounted for more than 10% of revenue in 2005, 2004, or 2003.

## 13. Litigation

The Company and its subsidiaries are involved from time to time in various legal proceedings arising in the ordinary course of business. Although the outcome of lawsuits or other proceedings involving the Company and its subsidiaries cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not expect these matters to have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

## 14. Enterprise-Wide Disclosures

The Company operates in one industry segment, providing information technology (IT) professional services to its clients. The services provided include flexible and strategic staffing and the planning, design, implementation, and maintenance of comprehensive IT solutions. All of the Company's revenues are generated from these services. CTG's reportable information is based on geographical areas. The accounting policies of the individual geographical areas are the same as those described in note 1, "Summary of Significant Accounting Policies." All information has been revised as applicable to reflect the results from continuing operations only and therefore exclude the results of CTG Nederland, B.V. which was sold with an effective date of January 1, 2004 (see note 3 – "Discontinued Operations").

| **Financial Information About Geographic Areas** *(amounts in thousands)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Revenue from External Customers | | | |
| United States | $ 243,223 | $ 191,648 | $ 210,490 |
| Belgium | 32,940 | 28,694 | 22,967 |
| Other European countries | 15,384 | 14,724 | 10,472 |
| Other countries | 2,918 | 2,056 | 1,585 |
| Total revenue | $ 294,465 | $ 237,122 | $ 245,514 |
| Long-lived Assets | | | |
| United States | $ 5,950 | $ 5,309 | $ 5,840 |
| Europe | 666 | 766 | 1,006 |
| Total long-lived assets | $ 6,616 | $ 6,075 | $ 6,846 |
| Deferred Tax Assets, Net of Valuation Allowance | | | |
| United States | $ 6,301 | $ 5,778 | $ 5,459 |
| Europe | 325 | 740 | 963 |
| Other countries | 161 | – | – |
| Total deferred tax assets, net | $ 6,787 | $ 6,518 | $ 6,422 |

## 15. Quarterly Financial Data (Unaudited)

Information reported as follows has been revised, as applicable, to reflect the disposal of CTG Nederland, B.V., which was effective on January 1, 2004. All activities related to this subsidiary have been removed from the Company's individual accounts and subsequently combined and included on the line entitled "Income (loss) from discontinued operations."

| **Quarters** *(amounts in thousands, except per-share data)* | First | Second | Third | Fourth | Total |
|---|---|---|---|---|---|
| **2005** | | | | | |
| Revenue | $ 68,683 | $ 72,910 | $ 74,805 | $ 78,067 | $ 294,465 |
| Direct costs | 52,170 | 56,505 | 57,920 | 60,068 | 226,663 |
| Gross profit | 16,513 | 16,405 | 16,885 | 17,999 | 67,802 |
| Selling, general, and administrative expenses | 15,585[1] | 15,247 | 15,452 | 16,593 | 62,877 |
| Operating income | 928 | 1,158 | 1,433 | 1,406 | 4,925 |
| Interest and other expense, net | (222) | (372) | (362) | (415) | (1,371) |
| Income before income taxes | 706 | 786 | 1,071 | 991 | 3,554 |
| Provision for income taxes[2] | 222[1] | 163 | 431 | 315[3] | 1,131 |
| Net income | $ 484 | $ 623 | $ 640 | $ 676 | $ 2,423 |
| Basic net income per share[2] | $ 0.03 | $ 0.04 | $ 0.04 | $ 0.04 | $ 0.14 |
| Diluted net income per share[2] | $ 0.03 | $ 0.04 | $ 0.04 | $ 0.04 | $ 0.14 |

*(continued on page 40)*

## 15. Quarterly Financial Data (Unaudited) *(continued from page 39)*

| Quarters (amounts in thousands, except per-share data) | First | Second | Third | Fourth | Total |
|---|---|---|---|---|---|
| **2004** | | | | | |
| Revenue | $ 61,447 | $ 59,047 | $ 57,857 | $ 58,771 | $ 237,122 |
| Direct costs | 44,853 | 43,196 | 42,581 | 42,395 | 173,025 |
| Gross profit | 16,594 | 15,851 | 15,276 | 16,376 | 64,097 |
| Selling, general, and administrative expenses | 15,163 | 15,033 | 14,602 | 16,201 | 60,999 |
| Operating income | 1,431 | 818 | 674 | 175 | 3,098 |
| Interest and other expense, net | (127) | (185) | (147) | (218) | (677) |
| Income (loss) from continuing operations before income taxes | 1,304 | 633 | 527 | (43) | 2,421 |
| Provision (benefit) for income taxes[2] | 522 | (34) | (91) | (943)[4] | (546) |
| Income from continuing operations | 782 | 667 | 618 | 900 | 2,967 |
| Loss from discontinued operations (including loss on disposal of $3.7 million in the first quarter of 2004) | (4,316) | (62) | (14) | (19) | (4,411) |
| Net income (loss) | $ (3,534) | $ 605 | $ 604 | $ 881 | $ (1,444) |
| Basic net income (loss) per share: | | | | | |
| Continuing operations[2] | $ 0.05 | $ 0.04 | $ 0.04 | $ 0.05 | $ 0.18 |
| Discontinued operations | (0.26) | – | – | – | (0.27) |
| Basic net income (loss) per share[2] | $ (0.21) | $ 0.04 | $ 0.04 | $ 0.05 | $ (0.09) |
| Diluted net income (loss) per share: | | | | | |
| Continuing operations[2] | $ 0.05 | $ 0.04 | $ 0.04 | $ 0.05 | $ 0.17 |
| Discontinued operations | (0.25) | – | – | – | (0.25) |
| Diluted net income (loss) per share[2] | $ (0.20) | $ 0.04 | $ 0.04 | $ 0.05 | $ (0.08) |

(1) Includes a net increase of approximately $108,000 in the cash surrender value for company owned life insurance policies that had previously not been recorded, and which created a tax benefit of approximately $34,000.

(2) During the quarter ended July 1, 2005, the Company changed its method of accounting for reporting changes in liabilities in interim periods resulting from changes in judgments or settlements of tax exposure items. The Company had previously accounted for such changes in judgments or settlements as adjustments to the estimated annual ETR. However, effective for the second quarter of 2005 the Company changed its method of accounting for such changes in judgments or settlements so that they are recorded as discrete items in the interim period in which the change occurs. As a result of the change in method of accounting, income tax expense was reduced by $114,000 in the second quarter of 2005, and increased by $59,000 and $55,000 in the third and fourth quarters of 2005, respectively. Net income per basic and diluted share was increased by less than $0.01 in the second quarter of 2005, and decreased by less than $0.01 per basic and diluted share in each of the third and fourth quarters of 2005. If the Company had implemented the discrete method of accounting for changes in tax exposure items during 2004, income tax expense related to continuing operations would have been reduced by $271,000 in the second quarter of 2004, and increased by $201,000 and $70,000 in the third and fourth quarters of 2004, respectively. Net income per basic and diluted share would have been increased by less than $0.02 in the second quarter of 2004, and decreased by approximately $0.01 per basic and diluted share in the third quarter of 2004, and by less than $0.01 in the fourth quarter of 2004.

(3) During the fourth quarter of 2005, the Company released approximately $0.2 million for the reversal of the remaining valuation allowance that previously offset the net operating loss for Canada due to a change in estimate, offset by $0.1 million of additional tax risk reserve items.

(4) During the fourth quarter of 2004, several tax matters that had previously been in process were favorably resolved which allowed the Company to record a significant benefit for income taxes. These items included a release of approximately $0.2 million of previously recorded tax liabilities primarily related to the Company's interpretation of recently issued tax legislation enacted in Europe, $0.4 million for state net operating loss benefits that had previously been offset by a valuation allowance, and a net amount of approximately $0.2 million from the release of other deferred tax items.

Report of
# Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Computer Task Group, Incorporated:

We have audited the accompanying consolidated balance sheets of Computer Task Group, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Computer Task Group, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Computer Task Group, Incorporated's internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Buffalo, New York
March 10, 2006

Management's Annual Report on

# Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, effectiveness of internal control over financial reporting may deteriorate.

Management of the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's management did not identify any control deficiencies it considered to be material weaknesses under the rules specified by the Public Company Accounting Oversight Board's Auditing Standard No. 2, and therefore concluded that its internal control over financial reporting was effective as of December 31, 2005.

KPMG LLP, an independent registered public accounting firm, has issued a report on management's assessment of the Company's internal control over financial reporting, which is included herein.

James R. Boldt
Chairman and Chief Executive Officer

Brendan M. Harrington
Interim Chief Financial Officer and Treasurer

Report of

# Independent Registered Public Accounting Firm on Internal Control

The Board of Directors and Shareholders
Computer Task Group, Incorporated:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Computer Task Group, Incorporated (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control-Integrated Framework* issued by COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated March 10, 2006, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Buffalo, New York
March 10, 2006

# Corporate Information

## Stock Market Information

The Company's stock is traded on the New York Stock Exchange under the symbol CTG, and is commonly abbreviated Cptr Task. The following table sets forth the high and low sales prices for the Company's common stock on the New York Stock Exchange for the previous two years.

| Stock Price | High | Low |
|---|---|---|
| **Year ended December 31, 2005** | | |
| Fourth Quarter | **$4.20** | **$3.40** |
| Third Quarter | **$4.00** | **$3.50** |
| Second Quarter | **$3.90** | **$2.83** |
| First Quarter | **$5.71** | **$3.50** |
| **Year ended December 31, 2004** | | |
| Fourth Quarter | $6.55 | $2.65 |
| Third Quarter | $4.05 | $2.75 |
| Second Quarter | $5.72 | $3.85 |
| First Quarter | $5.66 | $3.75 |

On March 7, 2006, there were 2,763 record holders of the Company's common shares. The Company has not paid a dividend since 2000. The Company paid an annual cash dividend of $.05 per share from 1993 to 2000 and, prior to that, paid $.025 per share annually since 1976 plus a 10% share dividend in 1980. The Company is required to meet certain financial covenants under its current revolving credit agreement in order to pay dividends. The determination of the timing, amount and payment of dividends on the Company's common stock in the future is at the discretion of the Board of Directors and will depend upon, among other things, the Company's profitability, liquidity, financial condition, capital requirements and compliance with the aforementioned financial covenants.

## Annual Meeting

The annual meeting of shareholders has been scheduled for May 3, 2006 in Buffalo, New York, for shareholders of record on March 24, 2006.

## Form 10-K and Company Code of Ethics, Committee Charters and Governance Policies Available

Copies of the Company's Form 10-K Annual Report, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports including the Company's code of ethics, committee charters and governance policies which are filed with the Securities and Exchange Commission, may be obtained without charge either through its website at www.ctg.com/investors or upon written or verbal request to:

Computer Task Group, Incorporated
Investor Relations Department
800 Delaware Avenue
Buffalo, NY 14209-2094
(716) 887-7400

## Transfer Agent and Registrar

### Computershare Investor Services

Our Transfer Agent is responsible for our shareholder records, issuance of stock certificates, and distribution of our dividends and the IRS Form 1099. Your requests, as shareholders, concerning these matters are most efficiently answered by corresponding directly with Computershare:

Computershare Trust Company, N.A.
c/o Computershare Investor Services
P.O. Box 43010
Providence, RI 02940-3010 USA
Shareholder Inquiries

(781) 575-3170 (MA residents)
(800) 730-4001
(781) 828-8813 (fax)
www.computershare.com/equiserve

## Independent Registered Public Accounting Firm

KPMG LLP
12 Fountain Plaza, Suite 601
Buffalo, NY 14202

## Company Certifications

The Company has filed all certifications provided by its Chief Executive Officer and Interim Chief Financial Officer as required by the rules of the New York Stock Exchange and the Sarbanes-Oxley Act of 2002.

## Forward-looking Statements

This report contains forward-looking statements by management and the Company that are subject to a number of risks and uncertainties. The forward-looking statements contained in the report are based on information as of the date of this report. The Company assumes no obligation to update these statements based on information from and after the date of this report. Generally, forward-looking statements include words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "could," "may," "might," "should," "will" and words and phrases of similar impact. The forward-looking statements include, but are not limited to, statements regarding future operations, industry trends or conditions and the business environment, and statements regarding future levels of, or trends in, revenues, operating expenses, capital expenditures, and financing. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including the following: (i) industry conditions, including fluctuations in demand for IT services, (ii) the availability to us of qualified professional staff, (iii) industry competition, (iv) rate and wage inflation or deflation, (v) risks associated with operating in foreign jurisdictions, (vi) the impact of current and future laws and government regulation, as well as repeal or modification of same, affecting the IT solutions and staffing industry, taxes and the Company's operations in particular, (vii) renegotiations, nullification, or breaches of contracts with customers, vendors, subcontractors or other parties, (viii) consolidation among the Company's competitors or customers, and (ix) the risks described elsewhere herein and from time to time in the Company's reports to the Securities and Exchange Commission.

# Board of Directors

Thomas E. Baker
President of the John R. Oishei Foundation

George B. Beitzel
Retired Senior Vice President and Director of IBM

James R. Boldt
Chairman and Chief Executive Officer of CTG

Randall L. Clark
Chairman of Dunn Tire LLC

Randolph A. Marks
Co-Founder of CTG and Retired Chairman of American Brass Company

Dr. John M. Palms
Chairman of the Board of Assurant, Inc.

Daniel J. Sullivan
President and Chief Executive Officer of FedEx Ground

# Officers

From left to right: Stephen D'Anna, Vice President, Operations, IT Solutions; Brendan M. Harrington, Interim Chief Financial Officer and Treasurer; N. Clair Detraz, Vice President, Strategic Planning and Marketing, CTGHS*; Thomas J. Niehaus, Senior Vice President and General Manager, CTGHS*

From left to right: Paul F. Dimouro, Senior Vice President, Operations; G. David Baer, Executive Vice President; Gregory M. Dearlove, Senior Vice President, Administration

From left to right: Michael E. Lippman, Vice President, Sales, CTGHS*; Peter P. Radetich, Senior Vice President, Secretary, and General Counsel; Catherine Gallagher, Vice President, Consulting, CTGHS*; James R. Boldt, Chairman and Chief Executive Officer

From left to right: Michael J. Colson, Senior Vice President, Solutions; Arthur W. Crumlish, Senior Vice President and General Manager, Strategic Staffing Services; Michael J. McNees, Senior Vice President and General Manager, CTGLSS**; Filip J.L. Gydé, Senior Vice President and General Manager, CTG Europe

* CTG HealthCare Solutions®
** CTG Life Sciences Solutions®

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