

Vertical Market Experience

Information Technology Expertise



Annual Report | 2002

Company Profile

In 2002, CTG began our 37th 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 2,800 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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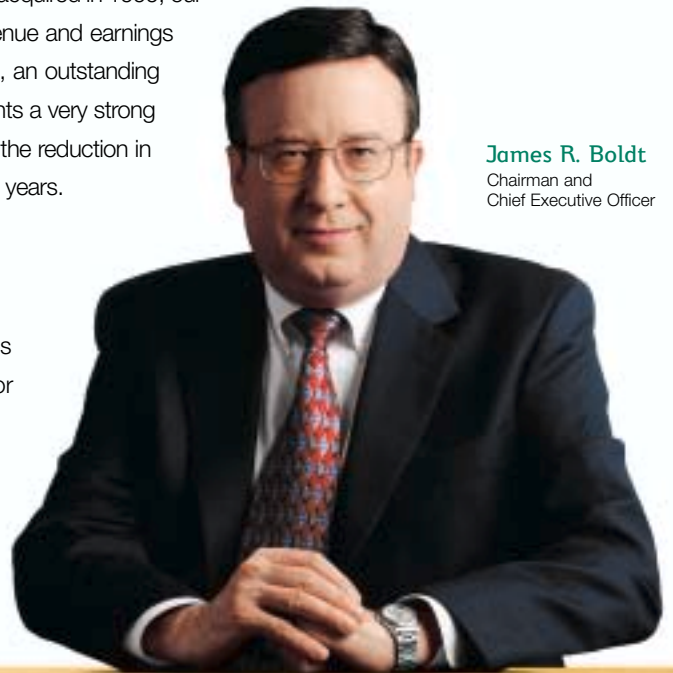
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Statements included in this document that do not relate to present or historical conditions are "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21F of the Securities Exchange Act of 1934, as amended. Additional oral or written forward-looking statements may be made by the Company from time to time, and such statements may be included in documents that are filed with the Securities and Exchange Commission. Such forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in such forward-looking statements. Forward-looking statements may include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "forecasts," "intends," "possible," "expects," "estimates," "anticipates," or "plans" and similar expressions are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the anticipated growth of the information technology industry, the continued need of current and prospective customers for the Company's services, the availability of qualified professional staff, and price and wage inflation.

Dear Fellow Shareholder:

2002 marked CTG's 37th year of business as an information technology (IT) services and solutions provider and the third consecutive extraordinarily difficult year for the company and the entire IT industry. CTG has weathered the post-year 2000 technology fallout better than most competitors due to our diverse business mix and client base and the strategy we adopted in mid-2001. At that time, we responded prudently to the prolonged technology downturn by adjusting costs to current revenues. Since then, we have managed our business to achieve modest operating profitability, while maintaining the resources to serve our current clients' needs and respond to new business opportunities. We also realigned our service offerings and resources to focus our strengths on the areas with the greatest long-term growth potential for CTG: IT staffing, application management outsourcing (AMO), and IT solutions. We continued this strategy into 2002, and it has proven to be an effective stay-in-the-game plan for CTG.

Despite lower revenues in 2002—\$263.3 million compared with \$320.2 million in 2001—CTG increased its operating income in 2002 to \$4.0 million from \$0.4 million in 2001. CTG also continues to maintain a strong financial position and ended 2002 with just \$8.5 million in long-term debt. Our 2002 net income before the cumulative effect of change in accounting principle was \$1.4 million, or \$0.08 per diluted share. In 2002, there was a \$37.0 million charge for the cumulative effect of change in accounting principle related to our adoption of Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets." Although this non-cash writedown was primarily related to the healthcare IT services firm that we acquired in 1999, our healthcare IT practice is generating approximately the same level of revenue and earnings now as it did in 1999; and it is growing at an annual rate of nearly 20%, an outstanding growth rate in the current IT services environment. Healthcare IT represents a very strong sector of our business, and the decline in its valuation is primarily due to the reduction in market value multiples that has occurred industrywide over the last three years.



James R. Boldt
Chairman and
Chief Executive Officer

CTG's Market Approach

CTG's market approach combines comprehensive IT service offerings with significant industry experience. We currently have three major horizontal service offerings: IT staffing, application management outsourcing, and IT solutions. We are focusing on four major vertical markets, which make up approximately 55% of our current business. These vertical markets are technology service providers, financial services, healthcare, and retail.

CTG offers 37 years of experience in providing value-added IT services and solutions.

CTG's "weaving" of IT expertise with industry experience is a very meaningful value proposition for our clients. Our deep understanding of our clients' businesses and IT needs enables us to better respond to client requirements and provide more effective technology support for their businesses. This approach contributes to strong, long-term client relationships.

Market Opportunity for CTG

Most agree that growth in capital expenditures is needed for a full-fledged recovery in the technology sector since almost half of all capital expenditures are technology-based. There is some indication that this could begin to take place in 2003,

but it is too soon to say with certainty that we will see meaningful growth in capital spending this year. That said, we do see pockets of opportunity and some positive signs in our business. An increase in staffing demand began in the third quarter of 2002, and staffing is usually the first area of our business to recover from an economic slowdown.

CTG's horizontal offerings and vertical market focus do put us in a good position to capitalize on positive market trends and emerging opportunities. The demand for application management outsourcing services is expected to continue rising due to cost efficiencies and clients' increased focus on their core businesses. Current outsourcing demand is particularly strong in financial services and healthcare, two significant vertical markets where CTG has extensive experience.

The Health Insurance Portability and Accountability Act (HIPAA) remains a major opportunity for CTG with a series of deadlines extending over the next few years. In 2002, initial HIPAA compliance assessments exceeded our expectations. In 2003, HIPAA remediation is expected to surpass last year's efforts, and the ongoing potential for further monitoring and compliance should represent a significant opportunity for our healthcare practice in the years to come. The growing use of computerized physician order entry (CPOE) systems designed to improve medical instructions and reduce physician error is also contributing to rising healthcare IT services demand in the marketplace.

The increased focus on data security by corporate senior managements and boards of directors is increasing market demand for security assessments and remedial network security work. CTG significantly strengthened its capabilities in e-security over the last 12 months, recognizing that e-security is needed by all of our customers. We have a very solid foundation in e-security and continue to expand our practice on a monthly basis.

Retail is another industry where CTG has significant experience and where the potential exists for considerable new demand. Expansion of the U.S. Universal Product Code (UPC) to 13 digits and the international UPC code to 14 digits by 2005 will drive demand for new point-of-sale (POS) systems and legacy system remediation, as UPC codes are the centerpiece of most retail systems and affect the entire supply chain. For now, the current major opportunity in retail IT for CTG is in leveraging business intelligence to support direct marketing.

Technology service and solution providers represent a significant vertical market for CTG. In a September 2001 paper, "Service Providers Become Dominant Purchaser of IT Services," Gartner defined this market as "technology aggregators"—firms that use a "value chain" of other IT service providers to deliver IT solutions to their end customers looking to purchase external IT support from a single or limited number of suppliers. CTG supports this market by providing IT talent to supplement the internal resources of these large technology service and solution providers. According to Gartner, nearly three-fourths of IT service providers expect that it is "likely" to "very likely" that this strategy (buying from other IT service providers) will become a predominant buying pattern by 2005.

Our major service offerings are IT Staffing, AMO, and IT Solutions.

IBM, our largest customer, is the best example of the technology aggregator business model, and our significant long-term relationship with IBM underscores our ability to effectively support this growing market.

Corporate Governance

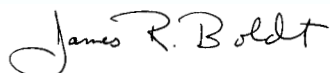
2002 brought a sharper focus on corporate governance for public companies. CTG does not anticipate the need to make significant changes to comply with the Sarbanes-Oxley Act, as our board had already instituted many of the Act's requirements. We have historically limited non-audit services provided by our auditors and already have an independent audit committee

with a financial expert on the committee. With the expansion of CTG's board in April 2002, six of our seven directors are independent. We added three outside directors with background in key areas: marketing, academia, and significant corporate IT use. Randy Clark, chairman of Dunn Tire Corporation, brings a marketing background to provide insight into our sales and marketing function. Dr. John Palms, professor of physics and former president of the University of South Carolina, contributes an academic perspective to the board, adding valuable insight to the significant portion of our healthcare business that focuses on university hospitals. As a leader of a company that is a heavy technology user, Dan Sullivan, president and CEO of FedEx Ground, affords the perspective of our target customer to CTG's board. Our expanded board has been a valuable resource this year, as we have been challenged by reduced corporate IT spending while still positioning the company to take best advantage of areas where we are strongest and to respond to market opportunity.

What's Ahead?

Ironically, it is a "best of times, worst of times" environment for our business. Never has information technology been in a better place to enhance business success. At the same time, the combinations of the tech bubble and dot-com implosion and the prolonged economic downturn have made companies reluctant to make significant new investments in technology. Given all that IT has to offer business to enhance productivity and performance, IT spending will eventually increase and return to more normal levels. Additionally, we continue to see overcapacity in our industry being corrected, which will benefit service providers like CTG that are still in the game.

During this very challenging period, CTG has done many things right strategically, financially, and operationally to continue to be a viable participant in our industry and to resume growth as market conditions improve. Looking ahead, CTG's market approach, which weaves strong core horizontal competencies with significant vertical market experience, enhances our ability to capitalize on current market opportunities and any incremental improvements in market demand for IT services. We continue to be confident that this strategy is the right direction to again grow our business and enhance CTG's financial performance and shareholder value.



James R. Boldt
Chairman and Chief Executive Officer

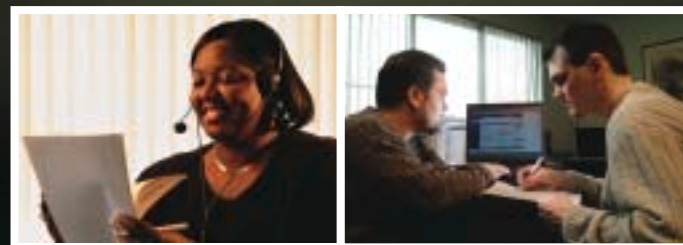


CTG excels at fulfillment of large staffing requirements.

IBM For nearly 35 years, CTG has provided IBM, the world's largest technology service provider, with a wide array of technical services. CTG's success at IBM results from our ability to provide a high volume of talented employees and quality service at competitive prices. We have the structure, processes, and business model to help large clients such as IBM augment their IT staffs quickly and reduce their IT services costs. This experience and approach positions CTG to effectively support the growing number of large technology service providers aggregating technology services from a variety of sources on behalf of their clients.

In the mid-1990s, CTG was designated as a national technical services supplier to IBM in both the United States and Canada. In addition to these national contracts, CTG provides IT services to IBM in Belgium and the Netherlands, where we are a core supplier; and in the United Kingdom. Our services include supplemental staffing, consulting, operations management, help desk, desk-side support, and training.

A CTG Client Since 1969



Service Offering | IT Staffing – Strategic

Through our Strategic Staffing Service (SSS) offering, CTG recruits, retains, and manages IT talent for organizations with multiple locations and high-volume IT requirements. We use ISO 9001:2000-certified methodologies and service-level-driven processes to transition client staff to CTG where appropriate, manage customer relationships efficiently and cost-effectively, and certify and supervise subcontractors. CTG's vendor management capability is augmented by CTGExchange™, an integrated management tool that handles the full cycle of procuring IT resources, from initial requisition to project completion. SSS gives our clients the advantage of a sole-source provider that is closely aligned with their strategic goals and able to deliver resources on a companywide basis to achieve cost reduction, improved service, and a competitive edge.

Technology Service Providers

IT Staffing



Elizabeth Fallon | Relationship Manager,
IBM

“CTG has expanded the range of support that we provide IBM to include education services. I think that CTG's long and significant relationship with IBM really comes down to our proven ability to respond quickly to their changing needs on a very large scale.”

Service Offering | IT Staffing – Flexible

CTG's staff augmentation capabilities serve clients with intermittent or low-volume staffing needs. Our services provide fast access to highly specialized "niche" skills or those needed for relatively short periods of time. CTG flexible staffing arrangements eliminate the costs associated with employee recruitment, retention, and benefits, while giving clients the benefit of our proprietary ISO 9001:2000-certified methodologies, tools, and techniques. Our central requirements distribution and tracking center enables us to fulfill customer requirements with the right professionals within two to 48 hours. That flexibility, backed by in-depth experience and a willingness to adapt to client preferences, has earned us the position of preferred staffing vendor at numerous companies across North America and Europe.

Financial Services



Ann Ryngaert | Account Executive,
KBC

“CTG helps our clients even out the peaks and valleys of a variable IT workload. We also provide in-demand skills to supplement our clients' staffs quickly and cost-effectively.”



Financial services is one of the largest vertical markets CTG supports.

KBC Banking & Insurance CTG's European operation has provided IT staffing and solutions services to KBC Banking & Insurance, one of the top three financial groups in Belgium, for seven years. We supply KBC with experienced IT professionals who perform application development and maintenance, software analysis, testing services, IT support, and project management.



KBC relies on CTG to locate highly qualified consultants with specific skills and expertise, on an as-needed basis. Because CTG has access to a significant pool of IT talent and is committed to fully understanding KBC's business, we are able to deliver to requirements and help KBC meet its technology needs in an expeditious and cost-efficient manner.

Financial services companies can benefit from the use of external IT support because of the flexibility and cost savings it offers. The combination of industry experience and IT staffing and solutions expertise makes CTG a strong partner for banks, brokerages, and insurance companies seeking to augment internal IT staffs or outsource selected IT services.

A CTG Client Since 1996

Service Offering | IT Solutions – Development and Integration

CTG plans, designs, implements, and maintains a full range of IT solutions for our clients. At the planning stage, we help define business needs and decide on the right IT solutions to meet them. Our technology experts and vertical industry specialists evaluate the current application portfolio and data architecture and design solutions that range from selection and implementation of packaged software to the construction of new systems. During a project's implementation phase, new technology is integrated seamlessly with existing systems to achieve overall process improvement. CTG's systems integration expertise maximizes the value of vital information assets through the construction of strategic system linkages that make mission-critical data readily accessible to users and processes throughout the enterprise.

Healthcare

IT Solutions



M.H. Mac McMillan | National Practice Director,
E-Security

“Security is all about trust and confidence. As an information security partner, CTG not only provides solutions that protect our clients’ systems and data, but we also educate clients on how to safeguard their information assets and still maintain the systems access and functionality they need to run their businesses.”



CTG is among the largest providers of healthcare IT solutions.


Virtua Health Protecting the privacy of medical information has become a priority as healthcare organizations increase their reliance on electronic systems for everything from human resources to patient medical records. In 2001, Virtua Health, the largest healthcare provider in southern New Jersey, engaged CTG to assist with its vital information security program.

CTG began by conducting an information security assessment, which resulted in a detailed remediation plan for compliance with the Health Insurance Portability and Accountability Act (HIPAA), as well as satisfaction of Virtua Health's own security objectives. Since the assessment, CTG has supported Virtua Health's remediation efforts with secure engineering support, policy and program development support, staff augmentation, and ongoing security testing. In 2002, Virtua Health became an Audit Services Partner, a program where CTG provides annual security audits, external security testing, on-call engineering support, and 24/7 call center support to assist clients in maintaining the integrity of their information security. Virtua Health is also a Technology Partner, a collaborative program where CTG provides customer-based evaluations of new and existing security technologies.



CTG's services have enabled Virtua Health to accelerate its readiness for HIPAA compliance and to develop and implement a best practices information security program.

A CTG Client Since 1994



CTG brings strength in CRM and logistics to its retail clients.

WineSIT.com CTG brings significant experience to the retail industry, helping retailers improve same-store sales, gross margin, and transaction size through an integrated suite of service offerings that includes customer relationship management (CRM) benchmarking, CRM strategy definition and execution planning, technology foundation improvement, loyalty programs, business intelligence, and customer-specific marketing.

WineSIT.com, a new customer of CTG's Retail Solutions group, is in the business of providing outsourced marketing services to suppliers and independent retailers of wine and spirits throughout the United States. Retailers using WineSIT's marketing services currently represent \$1.4 billion of the \$19 billion independent retailer wine and spirit market. In 2002, the company teamed with CTG Retail Solutions™ to design and build a system that will manage the customer loyalty, business intelligence, and customer-specific marketing functions of its marketing service. The partnership of WineSIT's wine and spirit industry experience with CTG's retail marketing knowledge and technological expertise will soon result in the deployment of a system with the functionality to drive sales and margin growth, the efficiency to do so at an attractive price, and the scalability to support hundreds of suppliers and retailers. This system will significantly enhance WineSIT's services and help increase the company's penetration of the highly profitable retail wine and spirit market.



A CTG Client Since 2002

Service Offering | IT Solutions – Consulting

CTG business consultants support clients in assessing and evaluating their business strategies, operations, and processes to achieve measurable improvements in business performance using information technology. Our consulting services include requirements definition, which analyzes and documents business processes and user requirements in preparation for system development and implementation activities; and technology selection, which helps clients evaluate and select packaged software or infrastructure components such as networks and platforms. Other services include IT architecture blueprinting, which creates a “blueprint” of an organization’s optimal IT infrastructure; and feasibility and assessment studies that evaluate organizational readiness for new technology. The CTG approach emphasizes collaboration, and a primary objective of each consulting engagement is the transfer of intellectual property and technical knowledge from our experts to the client organization.

IT Solutions

Retail



Jeff Falvey | Principal Consultant,
CTG Retail Solutions™

“WineSIT has crafted a great strategy. CTG is helping assure effective execution with our content, process, and technology expertise.”

Service Offering | Application Management Outsourcing

CTG continues to build on our national reputation as a leading provider of application management and IT outsourcing solutions. Our application management outsourcing (AMO) services encompass support for single or multiple applications; a full suite of systems maintenance, enhancement, development, and integration solutions; and facilities management. CTG's specialized expertise in transitional outsourcing serves clients in need of support for special projects or backup for internal IT resources focusing on a major systems implementation or acquisition. Our multi-tiered delivery model tailors our services to client requirements using a blend of onshore, nearshore, and offshore resources to satisfy customer-specific cost, quality control, and risk management priorities. CTG's proprietary Application Advantage™ methodology and AssureWare™ suite of CTG-developed tools provide value-added support for our outsourcing services.

General Industry

AMO



Jim Hazelett | Engagement Manager,
Bayer

“When I began working as an IT consultant at CTG, my manager said, ‘Just do what’s right for your client,’ and that’s still my first priority and very much how CTG approaches the client-consultant relationship. CTG provides application support that consistently meets service level agreements and quality standards so our AMO clients can focus on higher-priority IT initiatives and their core businesses.”



CTG has significant AMO experience in a variety of industries.

Bayer Corporation CTG's first major AMO contract with Bayer Corporation was awarded in 1994, when we assumed responsibility for the management of approximately 30 legacy applications. Today, CTG manages applications that support the chemicals and healthcare businesses of Bayer at its Pittsburgh, Pennsylvania and Elkhart, Indiana sites. We have also performed AMO functions in support of Bayer affiliate facilities in Canada.

A 26-year CTG client, Bayer initially engaged CTG to provide technical services and has significantly expanded our relationship since then. In addition to AMO and the recent outsourcing of selected help desk services, CTG, a preferred provider of Bayer, provides IT staffing and IT solutions support on a project basis. Most recently, CTG began to support Bayer in compliance initiatives for 21 CFR Part 11, an FDA regulation mandating the use of electronic records and signatures by all companies using computer systems to produce or distribute FDA-regulated products.



We believe that the strength of CTG's relationship with Bayer stems from our proven track record and ability to provide quality services at a competitive price. Our depth of expertise in business application management helps Bayer maintain the high level of focus and technical skill it needs for mission-critical business initiatives that enhance its competitive position.

As more companies consider outsourcing IT functions, CTG's broad-based experience in a variety of industries gives us an important advantage in expanding our AMO business.

A CTG Client Since 1977