

CIBER INC
Form 10-Q
October 28, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 001-13103

Ciber, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

38-2046833

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

6363 South Fiddler's Green Circle, Suite 1400,
Greenwood Village, Colorado

80111

(Address of Principal Executive Offices)

(Zip Code)

(303) 220-0100

(Registrant's telephone number, including area code)

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

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

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

Edgar Filing: CIBER INC - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

There were 78,443,625 shares of the registrant's Common Stock outstanding as of October 24, 2014.

Table of Contents

Table of Contents

	Page
<u>Part I</u>	<u>FINANCIAL INFORMATION</u>
<u>Item 1.</u>	<u>Financial Statements (unaudited):</u>
	<u>Consolidated Statements of Operations – Three and Nine Months Ended September 30, 2014 and 2013</u>
	<u>3</u>
	<u>Consolidated Statements of Comprehensive Loss – Three and Nine Months Ended September 30, 2014 and 2013</u>
	<u>4</u>
	<u>Consolidated Balance Sheets – September 30, 2014 and December 31, 2013</u>
	<u>5</u>
	<u>Consolidated Statement of Shareholders' Equity - Nine Months Ended September 30, 2014</u>
	<u>6</u>
	<u>Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2014 and 2013</u>
	<u>7</u>
	<u>Notes to Consolidated Financial Statements</u>
	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>15</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>27</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>27</u>
<u>Part II</u>	<u>OTHER INFORMATION</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>28</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>29</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>38</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	<u>38</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>39</u>
<u>Signatures</u>	<u>40</u>

Table of Contents

Ciber, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES				
Consulting services	\$200,314	\$202,780	\$607,934	\$620,606
Other revenue	10,992	12,277	36,029	34,387
Total revenues	211,306	215,057	643,963	654,993
OPERATING EXPENSES				
Cost of consulting services	150,414	153,597	457,525	469,611
Cost of other revenue	6,040	7,398	20,459	20,056
Selling, general and administrative	51,969	53,531	157,002	154,021
Amortization of intangible assets	65	—	132	—
Restructuring charges	21,244	14,000	22,650	14,953
Total operating expenses	229,732	228,526	657,768	658,641
OPERATING LOSS FROM CONTINUING OPERATIONS	(18,426)	(13,469)	(13,805)	(3,648)
Interest expense	(372)	(450)	(1,270)	(1,970)
Other income (expense), net	(1,522)	(56)	(1,612)	611
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(20,320)	(13,975)	(16,687)	(5,007)
Income tax expense (benefit)	464	(462)	5,200	4,122
LOSS FROM CONTINUING OPERATIONS	(20,784)	(13,513)	(21,887)	(9,129)
Loss from discontinued operations, net of income tax	(47)	(952)	(477)	(5,489)
CONSOLIDATED NET LOSS	(20,831)	(14,465)	(22,364)	(14,618)
Net income attributable to noncontrolling interests	20	4	35	4
NET LOSS ATTRIBUTABLE TO CIBER, INC.	\$(20,851)	\$(14,469)	\$(22,399)	\$(14,622)
Basic and diluted loss per share attributable to Ciber, Inc.:				
Continuing operations	\$(0.27)	\$(0.18)	\$(0.28)	\$(0.12)
Discontinued operations	—	(0.01)	(0.01)	(0.08)
Basic and diluted loss per share attributable to Ciber, Inc.	\$(0.27)	\$(0.19)	\$(0.29)	\$(0.20)
Weighted average shares outstanding- basic and diluted	78,121	75,070	77,291	74,611

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries
 Consolidated Statements of Comprehensive Loss
 (In thousands)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Consolidated net loss	\$(20,831)	\$(14,465)	\$(22,364)	\$(14,618)
Foreign currency translation adjustments	(13,053)	7,104	(12,375)	(834)
Comprehensive loss	(33,884)	(7,361)	(34,739)	(15,452)
Comprehensive income attributable to noncontrolling interests	20	4	35	4
Comprehensive loss attributable to Ciber, Inc.	\$(33,904)	\$(7,365)	\$(34,774)	\$(15,456)

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except per share amounts)

(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$21,017	\$44,483
Accounts receivable, net of allowances of \$2,575 and \$2,335, respectively	181,319	189,382
Prepaid expenses and other current assets	28,032	22,794
Total current assets	230,368	256,659
Property and equipment, net of accumulated depreciation of \$46,752 and \$48,500, respectively	15,679	12,923
Goodwill	273,273	281,714
Other assets	7,567	6,522
TOTAL ASSETS	\$526,887	\$557,818
LIABILITIES AND EQUITY		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	\$2,517	\$53
Accounts payable	23,187	34,223
Accrued compensation and related liabilities	50,174	69,622
Deferred revenue	14,102	20,989
Income taxes payable	2,078	1,654
Other accrued expenses and liabilities	56,884	44,190
Total current liabilities	148,942	170,731
Long-term debt	10,300	—
Deferred income taxes	27,679	23,910
Other long-term liabilities	10,181	10,119
Total liabilities	197,102	204,760
Commitments and contingencies		
Equity:		
Ciber, Inc. shareholders' equity:		
Preferred stock, \$0.01 par value, 1,000 shares authorized, no shares issued	—	—
Common stock, \$0.01 par value, 100,000 shares authorized, 78,394 and 75,822 shares issued, respectively	784	758
Treasury stock, at cost, 21 and 37 shares, respectively	(73	) (150
Additional paid-in capital	358,558	343,944
Retained earnings (accumulated deficit)	(20,763	) 4,887
Accumulated other comprehensive income (loss)	(9,279	) 3,096
Total Ciber, Inc. shareholders' equity	329,227	352,535
Noncontrolling interests	558	523

Total equity	329,785	353,058
TOTAL LIABILITIES AND EQUITY	\$526,887	\$557,818

See accompanying notes to unaudited consolidated financial statements.

5

Table of Contents

Ciber, Inc. and Subsidiaries
 Consolidated Statement of Shareholders' Equity
 (In thousands)
 (Unaudited)

	Common Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated deficit)	Accumulated Other Comprehensive Income (Loss)	Total Ciber, Inc. Shareholders' Equity	Noncontrol- ling Interests	Total Equity
BALANCES AT JANUARY 1, 2014	75,822	\$ 758	(37)	\$(150)	\$343,944	\$ 4,887	\$ 3,096	\$ 352,535	\$ 523	\$353,058
Consolidated net loss	—	—	—	—	—	(22,399)	—	(22,399)	35	(22,364)
Foreign currency translation	—	—	—	—	—	—	(12,375)	(12,375)	—	(12,375)
Shares issued under employee share plans, net	2,572	26	16	77	4,888	(3,251)	—	1,740	—	1,740
Share-based compensation	—	—	—	—	9,726	—	—	9,726	—	9,726
BALANCES AT SEPTEMBER 30, 2014	78,394	\$ 784	(21)	\$(73)	\$358,558	\$ (20,763)	\$ (9,279)	\$ 329,227	\$ 558	\$329,785

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

Ciber, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net loss	\$(22,364	) \$(14,618)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Loss from discontinued operations	477	5,489
Depreciation	4,178	4,396
Amortization of intangible assets	132	—
Deferred income tax expense	3,567	2,429
Provision for doubtful receivables	259	680
Share-based compensation expense	9,726	8,969
Amortization of debt costs	428	656
Other, net	1,581	340
Changes in operating assets and liabilities:		
Accounts receivable	266	(392)
Other current and long-term assets	288	(694)
Accounts payable	(10,209	) (5,105)
Accrued compensation and related liabilities	(17,959	) (11,436)
Other current and long-term liabilities	8,053	8,527
Income taxes payable/refundable	(6,508	) (3,632)
Cash used in operating activities — continuing operations	(28,085	) (4,391)
Cash used in operating activities — discontinued operations	(481	) (2,865)
Cash used in operating activities	(28,566	) (7,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition	(845) —
Purchases of property and equipment, net	(7,867	) (4,079)
Cash used in investing activities — continuing operations	(8,712	) (4,079)
Cash used in investing activities — discontinued operations	—	(313)
Cash used in investing activities	(8,712	) (4,392)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on long-term debt	245,163	234,022
Payments on long-term debt	(232,062	) (242,572)
Employee stock purchases and options exercised	4,912	1,949
Purchase of shares for employee tax withholdings	(3,172	) (1,288)
Payment of initial fair value of acquisition-related contingent consideration	—	(3,428)
Other, net	—	(92)
Cash provided by (used in) financing activities — continuing operations	14,841	(11,409)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,029	) (2,902)
Net decrease in cash and cash equivalents	(23,466	) (25,959)
Cash and cash equivalents, beginning of period	44,483	58,849
Cash and cash equivalents, end of period	\$21,017	\$32,890

See accompanying notes to unaudited consolidated financial statements.

7

Table of Contents

Ciber, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Ciber, Inc. and its subsidiaries (together, “Ciber,” “the Company,” “we,” “our” or “us”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. These consolidated financial statements should therefore be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the SEC. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP and include all adjustments of a normal, recurring nature that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the interim periods presented. The results of operations for an interim period are not necessarily indicative of the results of operations for a full fiscal year.

Recent Accounting Pronouncements — In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). This update raises the threshold for disposals to qualify as discontinued operations, and allows companies to have significant continuing involvement and continuing cash flows with the discontinued operation. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014, and interim periods within that year. The guidance is applied prospectively, and early adoption is permitted but only for disposals that have not been reported in financial statements previously issued or available for issue. This ASU may impact our assessment of future disposals, if any, once adopted.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The core principle of the standard is when an entity transfers goods or services to customers, it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. The update outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, and for interim periods within that year, and allows for both retrospective and prospective methods of adoption. We are currently evaluating the impact of implementing this guidance on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”), which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. We do not anticipate that this guidance will materially impact our consolidated financial statements.

Fair Value — The carrying value of the outstanding borrowings under the ABL Facility, as defined in Note 5, approximates its fair value as (1) it is based on a variable rate that changes based on market conditions and (2) the margin applied to the variable rate is based on Ciber's credit risk, which has not changed since entering into the facility in May 2012. If Ciber's credit risk were to change, we would estimate the fair value of our borrowings using a discounted cash flow analysis based on current rates expected to be available from the lender for similar types of debt.

The inputs used to establish the fair value of the ABL Facility are considered to be Level 2 inputs, which include inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Restructuring liabilities for office closures are initially recorded at estimated fair value utilizing Level 3 assumptions, including an estimate of sublease income which is subject to adjustment in future periods if assumptions change. Within our goodwill impairment analysis, as discussed in Note 4, the discounted cash flow method (income approach) and market approach incorporates various Level 3 inputs including projected revenue growth rates, earnings margins, and the present value, based on the discount rate and terminal growth rate, of forecasted cash flows.

Acquisition - In April 2014, we acquired certain contracts, software assets, and liabilities from an entity in Denmark. In accordance with authoritative accounting guidance for business combinations, the respective purchase price for this acquisition is allocated to the assets and liabilities acquired based on their estimated fair values. The excess purchase price over the respective fair values of assets is recorded as goodwill in our International segment. All goodwill associated with this acquisition is expected to be deductible for tax purposes. We paid approximately \$0.8 million in cash at closing, and have agreed to additional future royalty payments limited to approximately \$1.1 million. This contingent consideration is based on future software sales

Table of Contents

through the third quarter of 2017, and the fair value was recorded using a probability weighted approach based on management's estimates using Level 3 inputs. The purchase price was allocated as follows: \$1.4 million of intangible and other assets fair valued based on development costs, \$1.3 million of goodwill, and \$0.8 million of current liabilities.

(2) Discontinued Operations

During the second quarter of 2013, we closed down our Russian operations and met the criteria for this business to be reported as a discontinued operation. Accordingly, the operations and cash flows were removed from our consolidated operating results. In 2012, we sold substantially all of the assets and certain liabilities of our Federal division as well as certain contracts and related property and equipment and certain other assets associated with our information technology outsourcing ("ITO") practice, which have both been previously reported as discontinued operations. In connection with the sale of the Federal division and ITO practice, we retained certain assets and liabilities. Some of these items, including certain possible contingent liabilities, may not be settled for several years. Accordingly, adjustments to such items, as well as administrative expenses associated with these discontinued businesses, are recorded through our results of discontinued operations.

The following table summarizes the results of the discontinued operations during the three and nine months ended September 30, 2014 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	\$—	\$—	\$—	\$5,424
Operating expenses	47	952	477	10,731
Loss from discontinued operations before income taxes	(47	) (952	) (477	) (5,307
Income tax expense	—	—	—	230
Loss from discontinued operations, net of taxes	(47	) (952	) (477	) (5,537
Gain on sale	—	—	—	48
Total loss from discontinued operations, net of income taxes	\$(47	) \$(952	) \$(477	) \$(5,489

Table of Contents

(3) Loss Per Share

Our computation of loss per share — basic and diluted is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Numerator:				
Net loss from continuing operations	\$ (20,784)	\$ (13,513)	\$ (21,887)	\$ (9,129)
Net income attributable to noncontrolling interests	20	4	35	4
Net loss attributable to Ciber, Inc. from continuing operations	(20,804)	(13,517)	(21,922)	(9,133)
Loss from discontinued operations, net of income tax	(47)	(952)	(477)	(5,489)
Net loss attributable to Ciber, Inc.	\$ (20,851)	\$ (14,469)	\$ (22,399)	\$ (14,622)
Denominator:				
Basic and diluted weighted average shares outstanding	78,121	75,070	77,291	74,611
Basic and diluted loss per share attributable to Ciber, Inc.:				
Continuing operations	\$ (0.27)	\$ (0.18)	\$ (0.28)	\$ (0.12)
Discontinued operations	—	(0.01)	(0.01)	(0.08)
Basic and diluted loss per share attributable to Ciber, Inc.	\$ (0.27)	\$ (0.19)	\$ (0.29)	\$ (0.20)
Anti-dilutive securities omitted from the calculation	3,738	6,541	3,492	6,088

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

(4) Goodwill

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

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2014. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five

years, which reflects our estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit's estimated weighted average cost of capital, which were 14.5% and 15.0% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/EBITDA multiples of 7 and 6,

Table of Contents

respectively, in order to value each of our reporting units under the market approach. In addition, the fair value under the market approach included a control premium of 33%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

As a result of the first step of our goodwill impairment test as of June 30, 2014, we estimated that the fair values for our International and North America reporting units exceeded their carrying amounts by 21% and 59%, respectively, thus no impairment was indicated. We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

The changes in the carrying amount of goodwill during the nine months ended September 30, 2014, were as follows:

	International	North America	Total
	(In thousands)		
Balance at January 1, 2014	\$ 148,033	\$ 133,681	\$ 281,714
Effect of foreign exchange rate changes	(9,723	) —	(9,723
Acquisition	1,282	—	1,282
Balance at September 30, 2014	\$ 139,592	\$ 133,681	\$ 273,273

(5) Borrowings

We have an asset-based revolving line of credit of up to \$60 million (the “ABL Facility”) with Wells Fargo Bank, N.A. The maximum amount available for borrowing at any time under such line of credit is determined according to a borrowing base valuation of eligible account receivables, which was \$53.4 million at September 30, 2014. The ABL Facility provides for borrowings in the United States, the Netherlands, the United Kingdom and Germany and matures on May 7, 2017. As of September 30, 2014, we had \$12.8 million outstanding under the ABL Facility. We expect our borrowings to fluctuate based on our working capital needs. Our obligations under the ABL Facility are guaranteed by us and are secured by substantially all of our U.S., Netherlands, United Kingdom, and German assets. Under the ABL Facility, Wells Fargo will have dominion over the cash receipts related to any U.K., Dutch and German borrowings. At September 30, 2014, we had \$2.5 million of foreign borrowings that were subject to the bank's dominion and are classified as a current liability on our balance sheet.

(6) Income Taxes

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(In thousands)			
Loss from continuing operations before income taxes:				
U.S.	\$ (972	) \$ (5,667	) \$ (2,061	) \$ (3,672
Foreign	(19,348	) (8,308	) (14,626	) (1,335
Total	\$ (20,320	) \$ (13,975	) \$ (16,687	) \$ (5,007
Income tax expense (benefit):				
U.S.	\$ 1,070	\$ 550	\$ 3,121	\$ 2,930
Foreign	(606	) (1,012	) 2,079	1,192
Total	\$ 464	\$ (462	) \$ 5,200	\$ 4,122

Due to our history of domestic losses, we have a full valuation allowance for all U.S. net deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record U.S. deferred tax expense related to tax-basis goodwill amortization.

Table of Contents

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 21% to 34%. The foreign tax expense was higher than the normal effective rate as the result of establishing a valuation allowance against the deferred tax assets and current year losses of our operations in the Netherlands and the recognition of reserves for certain tax exposure items. In addition, the difference between the effective tax rate and statutory tax rates resulted from losses in jurisdictions where we received no tax benefit due to a valuation allowance.

(7) Restructuring Charges

On July 25, 2014, we approved a restructuring plan focused on the implementation of a go-to-market model, realigning the organization and improving our near and offshore delivery mix ("the 2014 Plan"). The 2014 Plan commenced in the third quarter of 2014 and is expected to be completed in the next twelve months. It is expected to impact approximately 280 people. We estimate the total amount of the restructuring charges for the 2014 Plan will be approximately \$27 million, substantially all of which will be settled in cash. The total estimated restructuring expenses include approximately \$20 million related to employee severance and related benefits and approximately \$7 million related to office closures and other expenses.

The changes in our 2014 Plan restructuring liabilities, which are primarily recorded in other accrued expenses, during the three months ended September 30, 2014, are as follows:

	Employee Severance and Termination (In thousands)	Office Closures and Other	Total
Restructuring liability, as of July 1, 2014	—	\$—	\$—
Restructuring charge	19,599	1,574	21,173
Non-cash items	(220)	) —	(220)
Cash paid	(336)	) —	(336)
Restructuring liability, as of September 30, 2014	\$ 19,043	\$ 1,574	\$ 20,617

Restructuring charges by segment are as follows:

	Three Months Ended September 30, 2014 (In thousands)	Total Anticipated Charges
North America	\$ 1,171	\$ 2,200
International	17,527	18,400
Other	314	314
Corporate	2,161	6,000
Total	\$ 21,173	\$ 26,914

On July 30, 2013, we approved a restructuring plan primarily focused on our International operations ("the 2013 Plan"). The goal of the 2013 Plan was to improve utilization, strategically engage our lower-cost off-shore and near-shore resources, and centralize management of administrative functions in key markets to leverage shared services functions. The actions of this plan impacted approximately 250 employees. We have completed all activities associated with the 2013 Plan. The charges associated with the 2013 Plan were substantially all related to personnel

severance and related employee benefit costs.

12

Table of Contents

The changes in our 2013 Plan restructuring liabilities, which are recorded in other accrued expenses, during the nine months ended September 30, 2014, are as follows:

	2013 Plan (In thousands)
Restructuring liability, as of January 1, 2014	\$7,454
Restructuring credit	(447)
Non-cash items	17
Cash paid	(6,611)
Foreign exchange rate changes	(93)
Restructuring liability, as of September 30, 2014	\$320

Restructuring charges (credit) by segment are as follows:

	Three Months Ended September 30, 2014 (In thousands)	Nine Months Ended September 30, 2014	Plan to Date
North America	\$—	\$(112)	\$ 548
International	28	(468)	11,648
Other	—	(7)	57
Corporate	—	140	721
Total	\$28	\$(447)	\$12,974

On November 5, 2012, we approved a company restructuring plan ("the 2012 Plan"). In the third quarter of 2013, all restructuring actions associated with this plan were completed. Although we have completed all activities associated with the 2012 Plan, our lease-related office closure costs are subject to estimate and as such our actual restructuring charges may differ from our current estimates. In the second quarter of 2014, we incurred additional charges related to adjusting our sublease estimates.

The changes in our restructuring liabilities for the 2012 Plan, which are recorded in other accrued expenses, during the nine months ended September 30, 2014, are as follows:

	Office Closures (in thousands)
Restructuring liability, as of January 1, 2014	\$2,770
Restructuring charges	1,924
Cash paid	(2,298)
Foreign exchange rate changes	(4)
Restructuring liability, as of September 30, 2014	\$2,392

Table of Contents

Restructuring charges by segment are as follows:

	Three Months Ended September 30, 2014 (In thousands)	Nine Months Ended September 30, 2014	Plan to Date (1)
North America	\$9	\$42	\$1,747
International	—	856	7,936
Corporate (2)	34	1,026	3,724
Total	\$43	\$1,924	\$13,407

(1) Our restructuring charges, particularly lease-related office closure costs, are subject to estimate. If we are unable to find tenants for vacated offices or sub-lease terms are different from our assumptions, our actual restructuring charges will differ from our current estimates.

(2) Corporate restructuring charges include costs for administrative facility consolidation.

(8) Segment Information

The following presents financial information about our reportable segments:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2013	2013	2013	2013
(In thousands)				
Revenues:				
International	\$105,007	\$110,879	\$329,818	\$337,489
North America	106,300	104,865	314,932	318,793
Other	706	833	1,927	2,575
Inter-segment	(707)	(1,520)	(2,714)	(3,864)
Total revenues	\$211,306	\$215,057	\$643,963	\$654,993
Operating income (loss) from continuing operations:				
International	\$1,822	\$4,577	\$11,877	\$15,528
North America	10,430	8,506	28,011	25,104
Other	79	44	212	162
Corporate expenses	(9,448)	(12,596)	(31,123)	(29,489)
Operating income from continuing operations before amortization and restructuring charges	2,883	531	8,977	11,305
Amortization of intangible assets	(65)	—	(132)	—
Restructuring charges	(21,244)	(14,000)	(22,650)	(14,953)
Total operating loss from continuing operations	\$(18,426)	\$(13,469)	\$(13,805)	\$(3,648)

(9) Contingencies

We are subject to various claims and litigation that arise in the ordinary course of business. The litigation process is inherently uncertain. Therefore, the outcome of such matters is not predictable.

As previously reported, we are engaged in legal proceedings in Germany in connection with our acquisition of a controlling interest in Novasoft AG (now known as Ciber AG) in 2004. In August 2006, we completed a buy-out of the remaining minority shareholders of Novasoft. Certain of those former minority shareholders challenged the adequacy of the buy-out consideration by initiating a review by the district court in Mannheim, Germany. The court made a determination in 2013 which is now under appeal by the plaintiffs. Based on information known to us, we

have established a reserve that we believe is reasonable. We are unable to predict the outcome of this matter.

14

Table of Contents

As previously reported, a lawsuit titled CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment, and conspiracy claims. The suit involves many of the same parties involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who were CamSoft's former alleged joint venturers and are now co-defendants in the current lawsuit. Ciber is vigorously defending the allegations. The matter is ongoing in the appellate courts where Camsoft has filed a notice of appeal with the Federal Court of Appeals while Ciber and the other defendants have filed notices of appeal with the Fifth Circuit Court of Appeals and with the Federal Court of Appeals. Based on information known to us, we have established a reserve that we believe is reasonable. We are unable to predict the outcome of this litigation.

As previously reported, in October 2011, a putative securities class action lawsuit, Weston v. Ciber, Inc. et al., was filed in the United States District Court for the District of Colorado against Ciber and several of its current and former officers. In November 2013, we entered into a settlement among the lead plaintiff and the defendants that involved funds paid by our insurers being placed into a settlement fund for the benefit of the class. We have not made any admission of liability or wrongdoing by entering into this settlement. The Court issued final approval of the settlement in April 2014, dismissing the claims of the class with prejudice, and terminating the litigation.

As previously reported, in February 2012, a purported verified shareholder derivative lawsuit, Seni v. Peterschmidt. et al., was filed in the United States District Court for the District of Colorado against several of our current and former officers and our then-current board of directors. This complaint generally alleged that the various defendants breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision by approving the issuance of allegedly false statements that misrepresented material information about the finances and operations of the Company. On March 22, 2013, the Court dismissed this complaint with leave to amend. On April 26, 2013, plaintiff filed an amended complaint that largely made the same claims as the original complaint. In February 2014, the Court dismissed the amended complaint with leave to amend. Plaintiff filed a second amended complaint and defendants filed a motion to dismiss the second amended complaint in March 2014. We believe this derivative lawsuit is without merit and we intend to vigorously defend against the claims. We are, however, unable to predict the outcome of this litigation.

In March 2012, a shareholder, Valerie Denny, made a litigation demand on the board of directors to investigate certain allegations and bring suit against the directors and certain current and former executive officers of the Company. In response, the board of directors formed an Independent Committee to investigate the claims. In December 2012, after the Independent Committee completed its investigation, it reported its findings to the board of directors. Based upon the Independent Committee's findings that Denny's claims were without merit, the board of directors formally refused the demand. In February 2014, Denny filed a purported verified shareholder derivative lawsuit, Denny v. Peterschmidt, et al., in Colorado State court, Arapahoe County, against certain current and former officers and directors. This complaint generally made the same allegations as set out in Denny's March 2012 demand. The Complaint alleged that between December 15, 2010, and August 3, 2011, the defendants committed breaches of fiduciary duty that caused losses to Ciber's reputation and goodwill. The defendants were alleged to have breached their fiduciary duties by disseminating inaccurate and incomplete information about Ciber's financial results and business prospects, failing to maintain internal controls, and failing to properly oversee and manage the Company.

Denny also made claims of unjust enrichment and insider trading. In March 2014, Defendants filed a motion to stay the action pending resolution of the federal derivative action (Seni v. Peterschmidt), as well as motions to dismiss the action, and an answer to the complaint. In response to those motions, Denny agreed to stay the case. The court therefore issued an order staying the action on March 24, 2014. We believe this derivative lawsuit is without merit and we intend to vigorously defend against the claims. We are, however, unable to predict the outcome of this litigation.

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

The following discussion and analysis should be read in conjunction with our Unaudited Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and our Audited Consolidated Financial Statements and related Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013, and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013. References to "we," "our," "us," "the Company," or "Ciber" in this Quarterly Report on Form 10-Q refer to Ciber, Inc. and its subsidiaries.

We use the phrase "in constant currency" to indicate that we are comparing certain financial results after removing the impact of foreign currency exchange rate fluctuations, thereby allowing for the comparison of business performance between periods. Financial results "in constant currency" are calculated by restating current period activity into U.S. dollars using the

Table of Contents

comparable prior year period's foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

Disclosure Regarding Forward-Looking Statements

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

• Our results of operations may be adversely affected if we are unable to execute on the key elements of our strategic plan or our strategic plan proves to be less successful than anticipated.

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

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

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

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

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

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

• If we do not continue to improve our operational, financial and other internal controls and systems to manage our growth and size or if we are unable to enter, operate and compete effectively in new geographic markets, our results of operations may suffer and the value of our business may be harmed.

• Our brand and reputation are key assets and competitive advantages of our Company, and our business may be affected by how we are perceived in the marketplace.

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

• We cannot guarantee that we are in compliance with all applicable laws and regulations.

• If we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties, our business could be adversely affected.

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

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

• Our credit facility, an asset-based loan facility, limits our operational and financial flexibility.

• Our revenues, operating results and profitability may vary from quarter to quarter and may result in increased volatility in the price of our stock.

• Our international operations expose us to additional risks that could have adverse effects on our business and operating results.

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

• Our operations are vulnerable to disruptions that may impact our results of operations and from which we may not recover.

• We might not be successful at identifying, acquiring, or integrating businesses or entering into joint ventures.

Table of Contents

- We could incur additional losses due to further impairment in the carrying value of our goodwill.
- We depend on contracts with various public sector agencies for a significant portion of our revenue and, if the spending policies or budget priorities of these agencies change, we could lose revenue.
- Unfavorable government audits could require us to adjust previously reported operating results, to forego anticipated revenue and subject us to penalties and sanctions.
- We have adopted anti-takeover defenses that could make it difficult for another company to acquire control of Ciber or limit the price investors might be willing to pay for our stock, thus affecting the market price of our securities.

For a more detailed discussion of these factors, see the information under the “Risk Factors” heading in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2013, and other documents filed with or furnished to the Securities and Exchange Commission. We undertake no obligation to publicly update any forward-looking statements in light of new information or future events. Readers are cautioned not to put undue reliance on forward-looking statements.

Business Overview

Ciber is a leading global information technology (“IT”) company founded in 1974 with 40 years of proven IT experience, world-class credentials and a wide range of technology expertise. With operations in 15 countries across four continents, Ciber has the infrastructure and expertise to deliver IT services to almost any organization. At Ciber, we take a client-focused, personalized-service approach that includes the building of long-term relationships, creation of custom-tailored IT solutions, and the implementation of business strategies to reflect anticipated trends. Driven by results, we are committed to delivering quality solutions precisely configured to our clients' needs and achieving high client satisfaction. The consistent goal is sustainable business value delivered on time and on budget.

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

We operate our business by geography. Our reportable operating segments consist of International and North America. Our International segment transacts business in the local currencies of the countries in which it operates. In recent years, approximately 50% to 60% of our International division's revenue has been denominated in Euros, 15% to 20% has been denominated in Great Britain Pounds (“GBP”) and the balance has come from a number of other European currencies. Changes in the exchange rates between these foreign currencies and the U.S. dollar affect the reported amounts of our assets, liabilities, revenues and expenses. For financial reporting purposes, the assets and liabilities of our foreign operations are translated into U.S. dollars at current exchange rates at period end and revenues and expenses are translated at average exchange rates for the period.

The market demand for Ciber's services is heavily dependent on IT spending by Fortune 500 and middle-market corporations, organizations and government entities in the markets and regions that we serve. In recent years, economic recession and volatile economic conditions have negatively impacted many of our existing and prospective clients and caused fluctuations in their IT spending behaviors. The pace of technological advancement, as well as changes in business requirements and practices of our clients, all have a significant impact on the demand for the services that we provide.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. Revenue is driven by our ability to secure new contracts and deliver solutions and services that add value relevant to our clients' current needs and challenges. In recent years and ongoing for the foreseeable future, we have been affected by significant efforts by our clients (both current and potential) to implement cost-savings initiatives. These initiatives have included going to third-party vendor management systems, taking their business to

larger, pure-play offshore vendors and vendor consolidation. In some cases, these initiatives have benefited Ciber, but in others we have lost our revenue stream entirely or seen a decline in our level of revenues with particular clients. The pricing environment continues to be extremely competitive. A number of our competitors are structuring more offshore services into their bids, thereby lowering their pricing and making it more difficult for us to compete on pricing. We also have global delivery options to offer to our current and potential clients as possible cost savings, and we are expanding our offshore capabilities and increasing the usage of these resources; however, they are on a smaller scale than the offshore offerings of some of our competitors.

Another issue that continues to have an impact on our revenues and profitability involves a longer sales cycle than we have seen historically. This has been driven by a much slower decision-making process in starting new projects in a variety of

Table of Contents

industries that we currently serve, or in which we are currently bidding for work, and the changing business mix of our service offerings. The longer sales cycle increases the cost of our sales efforts and pushes potential revenues and profitability further into the future. Some clients remain cautious, seeking flexibility by shifting to a more phased approach to contracting for work. We are also affected by the fact that certain markets we do business in currently have shortages of desired skill sets, forcing us to use higher cost subcontractors. We have standards governing the quality of engagements that we will accept with the goal of growing revenue, increasing margins, improving collectability of receivables and delivering sustained, predictable performance. However, there can be no assurances that we will be successful with such actions, and in certain cases, these actions may slow our revenue growth. Economic conditions and other factors continue to impact the business operations of some of our clients, their ability to continue to use our services and their financial ability to pay for our services in full. The impact of project cancellations cannot be accurately predicted and bad debt expense may differ significantly from our estimates, and any such events may negatively impact our results of operations.

Discontinued Operations

During the second quarter of 2013, we closed down our Russian operations and met the criteria for this business to be reported as a discontinued operation. Accordingly, the operations and cash flows were removed from our consolidated operating results. In 2012, we sold substantially all of the assets and certain liabilities of our Federal division as well as certain contracts and related property and equipment and certain other assets associated with our information technology outsourcing ("ITO") practice, which have both been previously reported as discontinued operations. In connection with the sale of the Federal division and ITO practice, we retained certain assets and liabilities. Some of these items, including certain possible contingent liabilities, may not be settled for several years. Accordingly, adjustments to such items, as well as administrative expenses associated with these discontinued businesses, are recorded through our results of discontinued operations. See Note 2 to our consolidated financial statements for more information.

Restructuring

On July 25, 2014, we approved a restructuring plan focused on the implementation of a go-to-market model, realigning the organization and improving our near and offshore delivery mix ("the 2014 Plan"). The 2014 Plan commenced in the third quarter of 2014 and is expected to be completed in the next twelve months. It is expected to impact approximately 280 people. We estimate the total amount of the restructuring charges for the 2014 Plan will be approximately \$27 million, substantially all of which will be settled in cash. The total estimated restructuring expenses include approximately \$20 million related to employee severance and related benefits and approximately \$7 million related to office closures and other expenses. We expect the 2014 Plan will result in annualized pre-tax net savings from these actions of approximately \$18 million that will be fully realized starting in the second half of 2015 and each year thereafter.

On July 30, 2013, we approved a restructuring plan primarily focused on our International operations ("the 2013 Plan"). The goal of the 2013 Plan was to improve utilization, strategically engage our lower-cost off-shore and near-shore resources, and centralize management of administrative functions in key markets to leverage shared services functions. The actions of this plan impacted approximately 250 employees. We have completed all activities associated with the 2013 Plan. The charges associated with the 2013 Plan were substantially all related to personnel severance and related employee benefit costs. We expect the 2013 Plan will result in annualized pre-tax net savings from these actions of approximately \$12 million that will be fully realized starting in the second half of 2014 and each year thereafter.

On November 5, 2012, we approved a company restructuring plan ("the 2012 Plan"). In the third quarter of 2013, all restructuring actions associated with this plan were completed. Although we have completed all activities associated

with the 2012 Plan, our lease-related office closure costs are subject to estimate and as such our actual restructuring charges may differ from our current estimates. In the second quarter of 2014, we incurred additional charges related to adjusting our sublease estimates. Restructuring liabilities for office closures are recorded at estimated fair value, including an estimate of sublease income which is subject to adjustment in future periods if assumptions change. We expect pre-tax savings from these actions of \$11 million in 2014 related to the 2012 Plan. However, these savings are partially offset by adverse business performance in our International segment.

Table of Contents

Results of Operations — Comparison of the Three Months Ended September 30, 2014 and 2013

The following table and related discussion provide information about our consolidated financial results for the periods presented.

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

	Three Months Ended September 30,					
	2014		2013			
	(Dollars in thousands)					
Consulting services	\$200,314	94.8	%	\$202,780	94.3	%
Other revenue	10,992	5.2		12,277	5.7	
Total revenues	\$211,306	100.0	%	\$215,057	100.0	%
Gross profit - consulting services	\$49,900	24.9	%	\$49,183	24.3	%
Gross profit - other revenue	4,952	45.1		4,879	39.7	
Gross profit - total	54,852	26.0		54,062	25.1	
SG&A costs	51,969	24.6		53,531	24.9	
Amortization of intangible assets	65	—		—	—	
Restructuring charges	21,244	10.1		14,000	6.5	
Operating loss from continuing operations	(18,426	) (8.7	)	(13,469	) (6.3)
Interest expense	(372	) (0.2	)	(450	) (0.2)
Other expense, net	(1,522	) (0.7	)	(56) —	
Loss from continuing operations before income taxes	(20,320	) (9.6	)	(13,975	) (6.5)
Income tax expense (benefit)	464	0.2		(462	) (0.2)
Net loss from continuing operations	\$(20,784	) (9.8	)%	\$(13,513	) (6.3)%

Revenue by segment from continuing operations was as follows:

	Three Months Ended		
	September 30,	September 30,		% change
	2014	2013	
	(In thousands)		
International	\$105,007	\$110,879	(5.3) %
North America	106,300	104,865	1.4
Other	706	833	(15.2) %
Inter-segment	(707)	(1,520)	n/m
Total revenues	\$211,306	\$215,057	(1.7) %

n/m = not meaningful

Revenues. For the three months ended September 30, 2014, total revenues decreased \$3.8 million, or 1.7% in U.S. dollars in comparison to the three months ended September 30, 2013. On a local currency basis, revenues decreased \$5.7 million, or 2.6%, as compared with the three months ended September 30, 2013, due to a decline in our International segment which was partially offset by improvements in our North America segment.

International revenues decreased \$5.9 million, or 5.3% overall, and 7.0% in local currency compared with the three months ended September 30, 2013. This decline was primarily a result of continued challenges in the Netherlands as a result of an overall increase in employee attrition in the first half of 2014 and a soft revenue pipeline. Several smaller countries (in terms of revenue contribution) also saw reductions in revenue this quarter due to projects completed in 2014 and declines in revenues at existing clients. These declines were partially offset by revenue improvement in Germany.

Table of Contents

North America revenues increased \$1.4 million, or 1.4%, compared to the third quarter of 2013. This increase is primarily a result of improved performance in multiple Independent Software Vendors ("ISV") channels due to several new projects. Although this increase was partially offset by a decline in revenue in our Application Development and Maintenance ("ADM") practice, we believe we are beginning to see stabilization in this area of our business. We continue to also see growth in our Ciber Managed Services ("CMS") offerings.

Gross Profit. Gross profit margin increased to 26.0% for the three months ended September 30, 2014, compared to 25.1% for the same period in 2013. Gross profit margin for our International segment increased due to a more disciplined use of subcontractors and an improved product mix. North America gross margin increased compared to the third quarter of 2013 as a result of an increase in revenue in certain higher margin ISV channels, as well as a reduction in personnel costs.

Selling, general and administrative costs. Our SG&A costs decreased \$1.6 million, or 2.9%, to \$52.0 million for the three months ended September 30, 2014, from \$53.5 million for the three months ended September 30, 2013. International SG&A costs increased compared to the third quarter of 2013 mainly due to increased labor costs. North America SG&A costs were down due to reduced personnel costs and improved cost discipline. Our corporate SG&A costs decreased as a result of lower stock compensation expense compared with the third quarter of 2013 which was mainly due to CFO transition costs during the 2013 period.

Operating loss. Our operating loss was \$18.4 million for the three months ended September 30, 2014, as compared to \$13.5 million for the same period of 2013. This increased loss was primarily the result of a large restructuring charge in the current quarter.

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

	Three Months Ended		% change	2014 % of revenue*	2013 % of revenue*
	September 30, 2014	2013			
	(In thousands)				
International	\$1,822	\$4,577	(60.2)	% 1.7	% 4.1
North America	10,430	8,506	22.6	9.8	8.1
Other	79	44	79.5	% 11.2	5.3
Corporate expenses	(9,448)	(12,596)	25.0	(4.5)	(5.9)
Operating income from continuing operations before amortization and restructuring charges	2,883	531	442.9	1.4	0.2
Amortization of intangible assets	(65)	—	n/m	—	—
Restructuring charges	(21,244)	(14,000)	(51.7)	(10.1)	(6.5)
Total operating loss from continuing operations	\$(18,426)	\$(13,469)	(36.8)	% (8.7)	% (6.3)

n/m = not meaningful

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

International operating income decreased to \$1.8 million for the third quarter of 2014 compared to \$4.6 million for the three months ended September 30, 2013. This decrease is primarily due to revenue challenges in the Netherlands and other smaller countries (in terms of revenue contribution) as well as an increase in SG&A costs due to higher labor costs.

North America operating income increased \$1.9 million, or 22.6% compared to the third quarter of 2013. The increase was a result of improved ISV channel revenue, a reduction in personnel costs and improved SG&A cost discipline.

Corporate expenses decreased \$3.1 million during the current three month period compared to the third quarter of 2013 primarily due to lower stock compensation costs which is primarily a result of the CFO transition in the prior year period.

Interest expense. Interest expense decreased \$78 thousand for the three months ended September 30, 2014, compared to the same period of 2013 due to lower average borrowings on our ABL Facility in 2014 than in 2013.

Table of Contents

Other expense, net. Other expense, net increased \$1.5 million for the three months ended September 30, 2014, compared to the three months ended September 30, 2013. This increase was primarily due to foreign exchange losses as a result of a significant devaluation of the Euro during the current quarter.

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

	Three Months Ended September 30,	
	2014	2013
	(In thousands)	
Loss from continuing operations before income taxes:		
U.S.	\$ (972	) \$ (5,667
Foreign	(19,348	) (8,308
Total	\$ (20,320	) \$ (13,975
Income tax expense (benefit):		
U.S.	\$ 1,070	\$ 550
Foreign	(606	) (1,012
Total	\$ 464	\$ (462

Due to our history of domestic losses, we have a full valuation allowance for all net U.S. deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to tax-basis goodwill amortization, and we expect to record approximately \$4 million of related U.S. deferred tax expense in 2014.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 21% to 34%. The foreign tax expense was higher than the normal effective rate as the result of establishing a valuation allowance against the deferred tax assets and current year losses of our operations in the Netherlands and the recognition of reserves for certain tax exposure items. In addition, the difference between the effective tax rate and statutory tax rates resulted from losses in jurisdictions where we received no tax benefit due to a valuation allowance.

Table of Contents

Results of Operations — Comparison of the Nine Months Ended September 30, 2014 and 2013

The following table and related discussion provide information about our consolidated financial results for the periods presented. In the second quarter of 2013, the operations of our Russian business met the criteria to be classified as a discontinued operation. As such, our Russian operations have been excluded from our results from continuing operations in the tables and related discussion below, unless otherwise noted.

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

	Nine Months Ended September 30,				
	2014		2013		
	(Dollars in thousands)				
Consulting services	\$607,934	94.4	% \$620,606	94.8	%
Other revenue	36,029	5.6	34,387	5.2	
Total revenues	\$643,963	100.0	% \$654,993	100.0	%
Gross profit - consulting services	\$150,409	24.7	% \$150,995	24.3	%
Gross profit - other revenue	15,570	43.2	14,331	41.7	
Gross profit - total	165,979	25.8	165,326	25.2	
SG&A costs	157,002	24.4	154,021	23.5	
Amortization of intangible assets	132	—	—	—	
Restructuring charges	22,650	3.5	14,953	2.3	
Operating loss from continuing operations	(13,805	) (2.1	) (3,648	) (0.6)
Interest expense	(1,270	) (0.2	) (1,970	) (0.3)
Other income (expense), net	(1,612	) (0.3	) 611	0.1	
Loss from continuing operations before income taxes	(16,687	) (2.6	) (5,007	) (0.8)
Income tax expense	5,200	0.8	4,122	0.6	
Net loss from continuing operations	\$(21,887	) (3.4	)% \$(9,129	) (1.4)%

Revenue by segment from continuing operations was as follows:

	Nine Months Ended				
	September 30,				
	2014		2013		% change
	(In thousands)				
International	\$329,818		\$337,489	(2.3)%
North America	314,932		318,793	(1.2)
Other	1,927		2,575	(25.2)
Inter-segment	(2,714	)	(3,864	)	n/m
Total revenues	\$643,963		\$654,993	(1.7)%

n/m = not meaningful

Revenues. For the nine months ended September 30, 2014, total revenues decreased \$11.0 million, or 1.7% in U.S. dollars compared to the nine months ended September 30, 2013. On a constant currency basis, revenues decreased

\$20.8 million, or 3.2%, as compared with the nine months ended September 30, 2013, due to declines in both our International and North America segments.

International revenues decreased \$7.7 million, or 2.3%, and decreased 5.2% in constant currency during the nine months ended September 30, 2014. This decline was primarily due to decreased revenue in the Netherlands due to an overall increase in employee attrition in the first half of 2014 and a soft revenue pipeline. This decrease was partially offset by improved revenue in Germany, the United Kingdom and Norway.

Table of Contents

North America revenues decreased \$3.9 million, or 1.2% compared to the first nine months of 2013. This decrease is primarily due to reduced revenue in our ADM practice, however, we believe we are beginning to see stabilization in this area of our business. This decrease was partially offset by an increase in multiple ISV channels as well as our Business Consulting practice. We continue to see growth in our CMS offerings as well.

Gross Profit. Gross profit margin improved to 25.8% for the nine months ended September 30, 2014, compared to 25.2% for the same period in 2013. Gross profit margin for our International business improved as a result of cost reduction actions in connection with the 2013 Restructuring Plan, and due to a more disciplined use of subcontractors. North America gross margin was flat for the first nine months of 2014 as compared to the comparable 2013 period as increased margins in certain ISV channels were offset by lower margins in our ADM practice.

Selling, general and administrative costs. Our SG&A costs increased by \$3.0 million, or 1.9% to \$157.0 million for the nine months ended September 30, 2014, from \$154.0 million for the nine months ended September 30, 2013. International SG&A costs increased compared to the first nine months of 2013 due to increased labor costs. North America SG&A costs were down due to reduced personnel costs, improved cost discipline, and lower facilities expense. Our corporate SG&A costs increased mainly as a result of increased legal costs and share-based compensation.

Operating loss. Our operating loss was \$13.8 million for the nine months ended September 30, 2014, as compared to \$3.6 million for the same period of 2013. This overall decline was mainly a result of increased restructuring charges in 2014 and an increase in international SG&A costs.

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

	Nine Months Ended		% change	2014	2013
	September 30, 2014	2013		% of revenue*	% of revenue*
	(In thousands)				
International	\$11,877	\$15,528	(23.5)%	3.6	% 4.6
North America	28,011	25,104	11.6	8.9	7.9
Other	212	162	30.9	11.0	% 6.3
Corporate expenses	(31,123)	(29,489)	(5.5)	(4.8)	(4.5)
Operating income from continuing operations before amortization and restructuring charges	8,977	11,305	(20.6)	1.4	1.7
Amortization of intangible assets	(132)	—	n/m	—	—
Restructuring charges	(22,650)	(14,953)	(51.5)%	(3.5)	(2.3)
Total operating loss from continuing operations	\$(13,805)	\$(3,648)	(278.4)%	(2.1)%	(0.6)%

n/m = not meaningful

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

International operating income declined to \$11.9 million for the nine months ended September 30, 2014, compared to \$15.5 million for the comparable period in 2013. This is primarily due to higher SG&A costs which were a result of increased labor costs. These costs were partially offset by improved margins which were, in large part, a result of our 2013 Restructuring Plan.

North America operating income increased \$2.9 million, or 11.6%, compared to the first nine months of 2013. The increase was due to a reduction in SG&A expenses, specifically relating to reduced personnel costs, improved cost discipline and lower facilities expenses. However, these improvements were somewhat offset by lower revenues in our ADM practice.

Corporate expenses increased \$1.6 million during the current nine month period primarily due to increased legal costs and share-based compensation expense.

Interest expense. Interest expense decreased \$0.7 million for the nine months ended September 30, 2014, compared to the same period of 2013 due to a significant reduction in our average borrowings on our ABL facility.

Table of Contents

Other income (expense), net. Other expense, net was \$1.6 million for the nine months ended September 30, 2014, compared to other income, net of \$611 thousand for the nine months ended September 30, 2013. This change was due to foreign exchange gains and losses and a decrease in interest income.

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

	Nine Months Ended September 30, 2014		2013	
	(In thousands)			
Loss from continuing operations before income taxes:				
U.S.	\$(2,061	)	\$(3,672)
Foreign	(14,626	)	(1,335)
Total	\$(16,687	)	\$(5,007)
Income tax expense:				
U.S.	\$3,121		\$2,930	
Foreign	2,079		1,192	
Total	\$5,200		\$4,122	

Due to our history of domestic losses, we have a full valuation allowance for all net U.S. deferred tax assets, including our net operating loss and tax credit carryforwards. As a result, we cannot record any tax benefits for additional U.S. incurred losses and any U.S. income is offset by a reduction in valuation allowance. Irrespective of our income or loss levels, we continue to record deferred U.S. tax expense related to tax-basis goodwill amortization, and we expect to record approximately \$4 million of related U.S. deferred tax expense in 2014.

The effective rate on our foreign tax expense varies with the mix of income and losses across multiple tax jurisdictions with most statutory tax rates varying from 21% to 34%. The foreign tax expense was higher than the normal effective rate as the result of establishing a valuation allowance against the deferred tax assets and current year losses of our operations in the Netherlands and the recognition of reserves for certain tax exposure items. In addition, the difference between the effective tax rate and statutory tax rates resulted from losses in jurisdictions where we received no tax benefit due to a valuation allowance.

Liquidity and Capital Resources

At September 30, 2014, we had \$81.4 million in working capital, which represented a decrease from \$85.9 million at December 31, 2013. Our current ratio was 1.5:1 at both September 30, 2014 and December 31, 2013. Our primary sources of liquidity are cash flows from operations, available cash reserves, and debt capacity under our credit agreement. In addition, we could seek to raise additional funds through public or private debt or equity financings. We believe that our cash and cash equivalents, our expected operating cash flow and our available debt capacity under our credit agreement will be sufficient to finance our working capital needs through at least the next year.

Our balance of cash and cash equivalents was \$21.0 million at September 30, 2014, compared to \$44.5 million at December 31, 2013. Our domestic cash balances are generally used to reduce our outstanding borrowings. Typically, most of our cash balance is maintained by our foreign subsidiaries. We have not provided for additional U.S. income taxes on the undistributed earnings of most of our foreign subsidiaries, as we currently do not have plans to repatriate cash in the future and we consider these to be permanently reinvested in the operations of such subsidiaries. If future events, including material changes in estimates of cash, working capital and long-term investment requirements, necessitate that the undistributed earnings of our foreign subsidiaries be distributed, an additional provision for

income taxes may apply, which could materially affect our future tax expense.

Related to the execution of our 2012 restructuring plan, we had cash outlays of approximately \$2.3 million during the nine months ended September 30, 2014. In the third quarter of 2013, all restructuring actions associated with the 2012 Plan were completed. However, in the second quarter of 2014, we incurred additional charges related to adjusting our sublease estimate. Total cash outlays associated with the plan will be approximately \$13 million, \$11 million of which has been paid to date.

We had cash outlays of approximately \$6.6 million during the nine months ended September 30, 2014, related to the 2013 restructuring plan, and we estimate total cash outlays of \$13 million, substantially all of which has been paid to date.

Table of Contents

We had cash outlays of approximately \$0.3 million during the nine months ended September 30, 2014, related to the 2014 restructuring plan, and we estimate total cash outlays of approximately \$26 million.

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Net cash provided by (used in) continuing operations:		
Operating activities	\$(28,085	) \$(4,391
Investing activities	(8,712	) (4,079
Financing activities	14,841	(11,409
Net cash used in continuing operations	(21,956	) (19,879
Net cash used in discontinued operations:		
Operating activities	(481	) (2,865
Investing activities	—	(313
Net cash used in discontinued operations:	(481	) (3,178
Effect of foreign exchange rate changes on cash and cash equivalents	(1,029	) (2,902
Net decrease in cash and cash equivalents	\$(23,466	) \$(25,959

Operating activities. Cash used in operating activities from continuing operations was \$28.1 million during the nine months ended September 30, 2014, compared with \$4.4 million for the nine months ended September 30, 2013. Reduced earnings, as well as a reduction in normal short-term working capital items, particularly accounts payable and accrued liabilities, contributed to the increase in cash used in operating activities from continuing operations during the current nine month period as compared to the same period of the prior year. Our working capital fluctuates significantly due to changes in accounts receivable (discussed below), as well as due to the timing of our domestic payroll and accounts payable processing cycles with regard to month-end dates and other seasonal factors. We paid \$9.2 million for restructuring-related costs in the first nine months of 2014 compared to \$7.1 million in the first nine months of 2013. In 2014, these costs were related to severance expenses in our International and North America segments, as well as real estate-related costs in our North America and International segments. In 2013, restructuring costs included severance expenses in our International, North America and corporate segments and real estate-related costs in North America. During the nine months ended September 30, 2014, and 2013, our domestic operations provided (used) (\$14.9 million) and \$12.2 million, respectively, of cash from continuing operations while our International operations used \$13.2 million and \$16.6 million, respectively, during the same time periods. Typically, the seasonality of our business in many European countries results in negative cash from operations in the early part of the year with improvements in the second half of the year. Cash flow from European receivables and payables are typically maximized in the fourth quarter.

Changes in accounts receivable can have a significant impact on our cash flow. Items that can affect our cash flow from accounts receivable include: contractual payment terms, client payment patterns (including approval or processing delays and cash management), client mix (public vs. private), fluctuations in the level of IT product sales and the effectiveness of our collection efforts. Many of the individual reasons are outside of our control and, as a result, it is normal for cash flow from accounts receivable to fluctuate from period to period, affecting our liquidity.

Total accounts receivable decreased to \$181.3 million at September 30, 2014, from \$189.4 million at December 31, 2013. Total accounts receivable day's sales outstanding ("DSO") increased to 64 days at September 30, 2014, from 59 days at December 31, 2013, an increase of 5 days, compared with DSO of 63 days at September 30, 2013, and 61 days at December 31, 2012, an increase of 2 days. The increase in DSO in the first nine months of 2014 is a result of increased unbilled receivables on fixed-price projects at quarter end which was partially offset by improved

collections. Our receivable collections are generally slower in the first half of the year with improvement in the second half of the year.

Accrued compensation and related liabilities fluctuate from period to period based on a couple of primary factors, including the timing of our normal bi-weekly U.S. payroll cycle and the timing of variable compensation payments. Bonuses are typically accrued throughout the year, and paid either quarterly or annually, based on the applicable bonus program associated with an employee's role and country in which he or she works. As such, bonus payments can fluctuate from quarter to quarter. Accounts payable and other accrued liabilities typically fluctuate based on when we receive actual vendor invoices and when they are paid. The largest of such items typically relates to vendor payments for IT hardware and software products that we resell and payments to services-related subcontractors.

Table of Contents

Investing activities. Spending on property and equipment increased to \$7.9 million during the nine months ended September 30, 2014, from \$4.1 million in the same period of 2013. Our capital spending increase is primarily for technology equipment and software and to support our global employee base, as well as our management and corporate support infrastructure, and for investment in our domestic and off-shore delivery centers. Our investments will fluctuate from period to period.

Financing activities. Typically, our most significant financing activities consist of the borrowings and payments under our ABL Facility, as described below. This primarily fluctuates based on cash provided by, or used in, our domestic operations during the period as the ABL Facility is used for U.S. working capital fluctuations. During the nine months ended September 30, 2014, we had net borrowings on our long-term debt of \$13.1 million, compared with net payments of \$8.6 million for the nine months ended September 30, 2013. Associated with our 2010 acquisition of Segmenta A/S, during the second quarter of 2013 we paid \$7.1 million of contingent consideration, of which \$3.4 million is classified as a financing cash flow and \$3.7 million is classified in operating activities. In 2013, Ciber began repurchasing shares to satisfy minimum tax withholdings for employee stock plans. We had net cash inflows of \$1.7 million and \$0.7 million in the first nine months of 2014 and 2013, respectively, for proceeds from employee stock plans, net of the repurchases of shares for minimum employee tax withholding.

Credit Agreement. We have an asset-based revolving line of credit of up to \$60 million (the “ABL Facility”) with Wells Fargo Bank, N.A. The maximum amount available for borrowing at any time under such line of credit is determined according to a borrowing base valuation of eligible account receivables, which was \$53.4 million at September 30, 2014. The ABL Facility provides for borrowings in the United States, the Netherlands, the United Kingdom and Germany and matures on May 7, 2017. As of September 30, 2014, we had \$12.8 million outstanding under the ABL Facility. We expect our borrowings to fluctuate based on our working capital needs. Our obligations under the ABL Facility are guaranteed by us and are secured by substantially all of our U.S., Netherlands, United Kingdom, and German assets. There are no specific financial covenants required under the ABL Facility.

Under the ABL Facility, U.S. borrowings accrue interest at a rate of the London interbank offered rate (“LIBOR”) plus a margin ranging from 225 to 275 basis points, or, at our option, a base rate equal to the greatest of (a) the Federal Funds Rate plus 0.50%, (b) LIBOR plus 1%, and (c) the “prime rate” set by Wells Fargo plus a margin ranging from 125 to 175 basis points. All foreign borrowings accrue interest at a rate of LIBOR plus a margin ranging from 225 to 275 basis points, plus certain fees related to compliance with European banking regulations. The interest rates applicable to borrowings under the ABL Facility are subject to increase during an event of default. We are also required to pay an unused line fee ranging from 0.375% to 0.50% annually on the unused portion of the ABL Facility.

Wells Fargo will take dominion over our U.S. cash and cash receipts and will automatically apply such amounts to the ABL Facility on a daily basis if (i) an event of default has occurred and is continuing, (ii) less than 30% of the ABL Facility or less than \$18 million is available for borrowing under the ABL Facility for five consecutive days, or (iii) less than 25% of the ABL Facility or less than \$15 million is available for borrowing under the ABL Facility at any time. Wells Fargo will continue to exercise dominion over our U.S. cash and cash receipts until (1) no event of default is continuing and (2) at least 30% of the ABL Facility and a minimum of \$18 million have been available for borrowing under the ABL Facility for 30 consecutive days. In addition, at all times during the term of the ABL Facility, Wells Fargo will have dominion over the cash of the United Kingdom, Dutch, and German borrowers when a balance is outstanding to those entities and will automatically apply such amounts to the ABL Facility on a daily basis. As a result, if we have any outstanding borrowings that are subject to the bank's dominion, such amounts will be classified as a current liability on our balance sheet. At September 30, 2014, we had \$2.5 million of borrowings that were subject to the bank's dominion and are classified as a current liability on our balance sheet.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

Table of Contents

potentially exists and the second step is performed to measure the amount of goodwill impairment. Goodwill impairment exists when the estimated implied fair value of a reporting unit's goodwill is less than its carrying value.

We compared the carrying values of our International and North America reporting units to their estimated fair values at June 30, 2014. We estimated the fair value of each reporting unit based on a weighting of both the income approach and the market approach. The discounted cash flows for each reporting unit serve as the primary basis for the income approach, and were based on discrete financial forecasts developed by management. Cash flows beyond the discrete forecast period of five years were estimated using the perpetuity growth method calculation. The annual average revenue growth rates forecasted for our reporting units for the first five years of our projections were approximately 3%. We have projected a minor amount of operating profit margin improvement based on expected margin benefits from certain internal initiatives. The terminal value was calculated assuming projected growth rates of 3% after five years, which reflects our estimate of minimum long-term growth in IT spending. The income approach valuations also included each reporting unit's estimated weighted average cost of capital, which were 14.5% and 15.0% for International and North America, respectively. The market approach applied pricing multiples derived from publicly-traded companies that are comparable to the respective reporting units to determine their values. For our International and North America reporting units, we used enterprise value/EBITDA multiples of 7 and 6, respectively, in order to value each of our reporting units under the market approach. In addition, the fair value under the market approach included a control premium of 33%. The control premium was determined based on a review of comparative market transactions. Publicly-available information regarding our market capitalization was also considered in assessing the reasonableness of the cumulative fair values of our reporting units.

As a result of the first step of our goodwill impairment test as of June 30, 2014, we estimated that the fair values for our International and North America reporting units exceeded their carrying amounts by 21% and 59%, respectively, thus no impairment was indicated. We have updated our cash flow forecasts and our other assumptions used to calculate the estimated fair value of our reporting units to account for our beliefs and expectations of the current business environment. While we believe our estimates are appropriate based on our view of current business trends, no assurance can be provided that impairment charges will not be required in the future.

We currently have a remaining goodwill balance of \$273.3 million at September 30, 2014. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. In estimating the fair value of the reporting units for the purpose of our annual or periodic goodwill impairment analysis, we make estimates and judgments about the future cash flows of the reporting units, including estimated growth rates and assumptions about the economic environment. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying reporting units, there is significant judgment in determining the cash flows attributable to these reporting units. We consider our market capitalization, adjusted for unallocated monetary assets such as cash, debt, a control premium and other factors determined by management. As a result, several factors could result in the impairment of a material amount of our goodwill balance in future periods, including, but not limited to:

- (1) Failure of Ciber to reach our internal forecasts could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated fair values of our reporting units; and
- (2) A decline in our stock price and resulting market capitalization, if we determine that the decline is sustained and is indicative of a reduction in the fair value of either of our reporting units below their carrying values.

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

For a description of our critical accounting policies and estimates, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three months ended September 30, 2014, there were no material changes in our market risk exposure. For a complete discussion of our market risk associated with foreign currency risk and interest rate risk as of December 31, 2013, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures

Table of Contents

Evaluation of Disclosure Controls and Procedures — During the fiscal period covered by this report, our management, with the participation of our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Based upon this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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

On July 30, 2013, we announced plans to centralize the management of administrative functions in key markets to leverage shared services functions. As a result of the transition of these accounting operations to central locations, the personnel responsible for executing controls over the processing of transactions in certain processes changed. These central locations began processing transactions in the fourth quarter of 2013. This transition process will continue through 2014. Management believes it took the necessary steps to monitor and maintain appropriate internal controls during the period of change.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims and litigation that arise in the ordinary course of business. The litigation process is inherently uncertain. Therefore, the outcome of such matters is not predictable.

As previously reported, we are engaged in legal proceedings in Germany in connection with our acquisition of a controlling interest in Novasoft AG (now known as Ciber AG) in 2004. In August 2006, we completed a buy-out of the remaining minority shareholders of Novasoft. Certain of those former minority shareholders challenged the adequacy of the buy-out consideration by initiating a review by the district court in Mannheim, Germany. The court made a determination in 2013 which is now under appeal by the plaintiffs. Based on information known to us, we have established a reserve that we believe is reasonable. We are unable to predict the outcome of this matter.

As previously reported, a lawsuit titled CamSoft Data Systems, Inc. v. Southern Electronics, et al., was filed initially in October 2009 in Louisiana state court against numerous defendants, including Ciber. The lawsuit was subsequently removed to federal court in the Middle District of Louisiana and the complaint was amended to include additional defendants and causes of action including antitrust claims, civil RICO claims, unfair trade practices, trade secret, fraud, unjust enrichment, and conspiracy claims. The suit involves many of the same parties involved in related litigation in the state court in New Orleans, which was concluded in 2009 when Ciber settled the New Orleans suit with the plaintiffs, Active Solutions and Southern Electronics, who were CamSoft's former alleged joint venturers and are now co-defendants in the current lawsuit. Ciber is vigorously defending the allegations. The matter is ongoing in the appellate courts where Camsoft has filed a notice of appeal with the Federal Court of Appeals while Ciber and the other defendants have filed notices of appeal with the Fifth Circuit Court of Appeals and with the Federal Court of Appeals. Based on information known to us, we have established a reserve that we believe is reasonable. We are unable to predict the outcome of this litigation.

As previously reported, in October 2011, a putative securities class action lawsuit, Weston v. Ciber, Inc. et al., was filed in the United States District Court for the District of Colorado against Ciber and several of its current and

former officers. In November 2013, we entered into a settlement among the lead plaintiff and the defendants that involved funds paid by our insurers being placed into a settlement fund for the benefit of the class. We have not made any admission of liability or wrongdoing by entering into this settlement. The Court issued final approval of the settlement in April 2014, dismissing the claims of the class with prejudice, and terminating the litigation.

As previously reported, in February 2012, a purported verified shareholder derivative lawsuit, *Seni v. Peterschmidt, et al.*, was filed in the United States District Court for the District of Colorado against several of our current and former officers and our then-current board of directors. This complaint generally alleged that the various defendants breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight, and supervision by approving the issuance of

Table of Contents

allegedly false statements that misrepresented material information about the finances and operations of the Company. On March 22, 2013, the Court dismissed this complaint with leave to amend. On April 26, 2013, plaintiff filed an amended complaint that largely made the same claims as the original complaint. In February 2014, the Court dismissed the amended complaint with leave to amend. Plaintiff filed a second amended complaint and defendants filed a motion to dismiss the second amended complaint in March 2014. We believe this derivative lawsuit is without merit and we intend to vigorously defend against the claims. We are, however, unable to predict the outcome of this litigation.

In March 2012, a shareholder, Valerie Denny, made a litigation demand on the board of directors to investigate certain allegations and bring suit against the directors and certain current and former executive officers of the Company. In response, the board of directors formed an Independent Committee to investigate the claims. In December 2012, after the Independent Committee completed its investigation, it reported its findings to the board of directors. Based upon the Independent Committee's findings that Denny's claims were without merit, the board of directors formally refused the demand. In February 2014, Denny filed a purported verified shareholder derivative lawsuit, *Denny v. Peterschmidt, et al.*, in Colorado State court, Arapahoe County, against certain current and former officers and directors. This complaint generally made the same allegations as set out in Denny's March 2012 demand. The Complaint alleged that between December 15, 2010, and August 3, 2011, the defendants committed breaches of fiduciary duty that caused losses to Ciber's reputation and goodwill. The defendants were alleged to have breached their fiduciary duties by disseminating inaccurate and incomplete information about Ciber's financial results and business prospects, failing to maintain internal controls, and failing to properly oversee and manage the Company.

Denny also made claims of unjust enrichment and insider trading. In March 2014, Defendants filed a motion to stay the action pending resolution of the federal derivative action (*Seni v. Peterschmidt*), as well as motions to dismiss the action, and an answer to the complaint. In response to those motions, Denny agreed to stay the case. The court therefore issued an order staying the action on March 24, 2014. We believe this derivative lawsuit is without merit and we intend to vigorously defend against the claims. We are, however, unable to predict the outcome of this litigation.

Item 1A. Risk Factors

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

Our results of operations may be adversely affected if we are unable to execute on the key elements of our strategic plan or our strategic plan proves to be less successful than anticipated.

If we fail to properly analyze and classify the needs of our clients and refine our offerings, we may not be able to achieve our desired client retention and growth objectives and, as a consequence, our financial performance may be negatively impacted. If we are unable to instill the appropriate operational regimes and delivery methods to increase our overall efficiency and cost effectiveness, we may not be able to increase our profitability, improve our cash flow, and strengthen our balance sheet. If we are unable to successfully execute any or all of the initiatives of our strategic plan, our revenues, operating results, and profitability may be adversely affected. Even if we successfully implement our strategic plan, we cannot guarantee that our revenues, operating results, and profitability will improve to the levels we anticipate, or at all. With respect to our previously-announced restructuring initiatives (the most recent of which began in the third quarter of 2014) which we believe will eliminate certain costs, there can be no assurance that we will achieve the cost savings estimated or that we will not encounter the need to spend additional amounts to offset other factors that impact our business.

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

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

Table of Contents

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

The protection of client, employee, and company data is critical to our reputation and the success of our business. Our clients have a high expectation that we will adequately protect their confidential information. In addition, the regulatory environment surrounding information security and privacy is increasingly demanding with new and constantly changing requirements. Protection of client, employee, and Company data, along with compliance in the constantly changing regulatory environment may add expenses to our business operations. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in system disruptions, negative publicity, legal liability, monetary damages, and damage to our reputation.

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

When making a proposal for or managing a fixed-price engagement, we rely on our estimates of costs and timing for delivering our services, which are sometimes based on limited data and could be inaccurate. These estimates reflect our best judgment regarding the costs and efficiencies of our methodologies and consultants as we plan to apply them to the engagement. If we do not accurately estimate our costs and the timing for completion of a fixed-price project, the contract for such a project could prove unprofitable or yield a profit margin that is lower than expected. Some fixed-price engagements are subject to long-term contracts that range from of three to five years. Estimating future year costs on such long-term engagements is extremely difficult and subject to additional risks. Often our cost estimates and the pricing we offer for outsourcing projects anticipate long-term cost savings resulting from transformational and other initiatives that we expect to implement and benefit from over the term of the outsourcing contract. There is a risk that we will fail to accurately estimate the costs of performing our services or the amount of cost savings that we will experience on long-term contracts, and that we will underprice our contracts as a result, causing an adverse effect on our profits.

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

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

As a professional services firm, we depend largely on our relationships with our clients and our reputation for high quality professional services and integrity to attract and retain clients. Additionally, many of our engagements involve projects that are critical to the operations of our clients' businesses and many involve the protection of confidential client information. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, or if a data security breach occurs, we could incur additional costs to address the situation, the profitability of that work might be impaired, and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client. Clients that are not satisfied may also seek to terminate contracts with us prematurely, potentially resulting in additional costs and loss of expected revenues. In addition, negative publicity related to our client relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts with current and prospective clients. If we do not meet our

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

Table of Contents

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

Our clients typically retain us on a non-exclusive, engagement-by-engagement basis. The length of individual projects and engagements can vary greatly. Clients may generally cancel a contract with short notice, subject in some instances to penalty provisions. Termination, reduction, or delay of any given engagement could result from factors unrelated to our work product or the progress of the project, such as factors related to business or financial conditions of the client, changes in client strategies or the domestic or global economy generally. A significant number of terminations, reductions, or delays in engagements in any given period of time could negatively and materially impact our revenues and profitability.

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

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

If we do not continue to improve our operational, financial and other internal controls and systems to manage our growth and size or if we are unable to enter, operate and compete effectively in new geographic markets, our results of operation may suffer and the value of our business may be harmed.

Our anticipated growth will continue to place significant demands on our management and other resources. Our growth will require us to continue to develop and improve our operational procedures, financial systems, and other internal controls at our operations and facilities around the world. In particular, our continued growth will increase the challenges involved in:

- recruiting, training and retaining technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires;
- maintaining high levels of client satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- preserving our culture, values and entrepreneurial environment; and
- effectively managing our personnel and operations and effectively communicating to our personnel worldwide our core values, strategies, and goals.

In addition, the increasing size and scope of our operations increase the possibility that a member of our personnel will engage in unlawful or fraudulent activity, breach our contractual obligations, or otherwise expose us to unacceptable business risks, despite our efforts to train our employees and maintain internal controls to prevent such instances. If we are not successful in developing and implementing the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.

If we fail to compete effectively in the new markets we enter, or if the cost of entering those markets is substantially greater than we expect, our business, results of operations, and financial condition could be adversely affected.

Our brand and reputation are key assets and competitive advantages of our Company and our business may be affected by how we are perceived in the marketplace.

Our ability to attract and retain customers is affected by external perceptions of our brand and reputation. Reputational damage from negative perceptions or publicity could damage our reputation with customers and employees as well as prospective customers and employees. Although we monitor developments for areas of potential risk to our reputation and brand, we may not be successful in detecting, preventing, or negating all changes in or impacts upon our reputation. Negative perceptions or publicity could have a material adverse effect on our business and financial results.

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

Table of Contents

Our business involves the delivery of professional services and is highly labor intensive. Our future success depends upon our ability to continue to attract, train, effectively motivate and retain highly-skilled technical, managerial, sales and marketing personnel. Although we invest significant resources in recruiting and retaining employees, there is often considerable competition within the IT services industry for personnel with certain in-demand qualifications and we may be unable to compete for the most desirable employees.

From time to time, we have trouble locating sufficient numbers of highly-qualified candidates located in our desired geographic locations, with the required specific expertise or at the desired compensation levels. The inability to attract and retain qualified employees in sufficient numbers could have a serious negative effect on us, including our ability to obtain and successfully complete important client engagements and thus, maintain or increase our revenues. Such conditions could also force us to resort to the use of higher-priced subcontractors, which would adversely affect the profitability of the related engagement.

Our ability to attract and retain qualified personnel in India will become increasingly important as we implement our plans to expand our Global Solutions Center in India and increase the number of employees working there.

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

We cannot guarantee that we are in compliance with all applicable laws and regulations.

We are required to comply with numerous and constantly changing laws and regulations in jurisdictions around the world. If our compliance efforts prove insufficient or any of our employees fail to comply with, or intentionally disregard, any of our policies or applicable laws or regulations, a range of liabilities could result for the employee and for the Company, including, but not limited to, significant penalties and fines, sanctions or litigation, and the expenses associated with defending and resolving any of the foregoing, any of which could have a material impact on our business, financial condition, and operating results.

If we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties, our business could be adversely affected.

Our success depends, in part, upon our ability to protect our proprietary methodologies and other intellectual property. Existing laws of the various countries in which we provide services or solutions offer only limited protection of our intellectual property rights. These laws are subject to change at any time and could further limit our ability to protect our intellectual property. In addition to intellectual property laws in each jurisdiction where we operate, we rely upon a combination of confidentiality policies, nondisclosure agreements, and other contractual arrangements to protect our intellectual property rights. In some jurisdictions where we operate, there is uncertainty concerning the scope of available intellectual property protection for software and business methods, which are fields in which we rely on intellectual property laws to protect our rights. Our efforts to protect intellectual property rights may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees, or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money, and oversight, and we may not be successful in enforcing our rights.

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed in connection with a contract than we otherwise generally do. In certain situations, we might forego all rights to the use of intellectual property we create, which would limit our ability to reuse that intellectual property for

other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects. Our services or solutions could infringe upon the intellectual property rights of others, or we might lose our ability to utilize rights we claim in intellectual property or the intellectual property of others.

We cannot be sure that our services and solutions, or the third-party software and solutions of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we could have infringement claims asserted against us or against our clients. These claims could harm our reputation, cost us money and prevent us from offering some

Table of Contents

services or solutions. In a number of our contracts, we agree to indemnify our clients for expenses or liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client. Any claims or litigation in this area, whether we ultimately win or lose, could be costly, injure our reputation, or require us to enter into royalty or licensing arrangements. We might not be able to enter into these royalty or licensing arrangements on acceptable terms. If a claim of infringement were successful against us or our clients, an injunction might be ordered against our clients or our own services or operations, causing further damages. We could lose our ability to utilize the intellectual property of others. Third-party suppliers of software, hardware or other intellectual property assets could be acquired or sued, which could disrupt use of their products or services by us and our clients. If our ability to provide services and solutions to our clients is impaired, our operating results could be adversely affected.

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

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

Our business depends on our ability to successfully obtain payment from our clients for the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain allowances against receivables, but actual losses on client balances could differ from those that we currently anticipate and as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our clients. In addition, timely collection of client balances depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. Recent global economic conditions and other factors resulted in financial difficulties for a number of our clients and, consequentially, we experienced a greater amount of bad debt expense.

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

Our credit facility, an asset-based facility, limits our operational and financial flexibility.

We have an asset-based revolving line of credit of up to \$60 million, with the amount available for borrowing at any time determined based on a valuation of our eligible accounts receivable. As of September 30, 2014, we had \$12.8 million borrowings outstanding under our revolving line of credit. Any borrowings we make under our credit facility are secured by liens on substantially all of our assets.

We are dependent on our asset-based revolving credit facility to meet working capital and operational requirements, and access to our asset-based facility is dependent on, among other things, the borrowing base valuation of our eligible accounts receivable and the absence of a default under the credit agreement. The amount available for borrowing under the credit facility could be significantly reduced if there is a reduction in our eligible accounts receivable. Any loss or material reduction of our ability to access funds under the credit facility could materially and negatively impact our liquidity.

Our ability to maintain an adequate borrowing base valuation and to make future principal and interest payments in respect of our debt depends on, among other things, our operating performance, competitive developments, and economic conditions, all of which are significantly affected by financial, business, competitive, economic, and other factors that may be outside of our control.

The credit agreement includes, among other provisions, specific limitations on our ability to take certain actions, which include, among others, our ability to incur indebtedness or liens, make investments, issue guarantees, enter into certain mergers, dispositions, acquisitions, liquidations or dissolutions, issue additional securities, pay dividends, make loans and advances, and enter into transactions with affiliates.

A default, if not waived or cured by amendment, could cause our debt to become immediately due and payable and terminate our ability to draw upon the funds under the credit agreement. We may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not be on terms acceptable to us. This could materially adversely affect our results of operations and financial condition. Additionally, if we needed to obtain a waiver under, or an amendment to, the credit agreement in the future, or if we seek other financing, if available, our cost of borrowing could increase significantly.

Table of Contents

Our revenues, operating results, and profitability may vary from quarter to quarter and may result in increased volatility in the price of our stock.

Our quarterly revenues, operating results, and profitability have varied significantly in the past and may continue to do so. Factors that have caused and may continue to cause variations in our revenues, operating results, and profitability include:

- the business decisions of our clients regarding the use of our services;
- the stage of completion of existing projects and/or their termination;
- client satisfaction with our services;
- our clients' financial ability to pay for our services;
- our ability to properly manage and execute client projects, especially those under fixed-price arrangements;
- our ability to properly price fixed-price contracts to provide for adequate profits;
- our ability to maintain our profit margins and manage costs, including those for personnel and support services;
- restructuring costs or charges related to changes in our business operations
- acquisition and integration costs related to possible acquisitions of other businesses;
- costs related to the discontinued operations of our former Federal division, information technology outsourcing practice, and Russian operations, including possible additional future related costs we may incur;
- costs or charges associated with potential asset sales or dispositions;
- changes in, or the application of changes in, accounting principles or pronouncements under U.S. generally accepted accounting principles;
- changes in significant accounting estimates;
- changes in interest rates on our debts;
- currency exchange rate fluctuations;
- changes in estimates, accruals or payments of variable compensation to our employees; and
- global, regional and local economic and political conditions and related risks.

If we are not able to maintain the rates we charge for our services or an appropriate utilization rate for our consultants, we will not be able to sustain our profit margin and our profitability will suffer. A number of factors affect the rates we charge for our services, including:

- our clients' perception of our ability to add value through our services;

- changes in our pricing policies or those of our competitors;
- the introduction of new products or services by us or by our competitors;
- the use of globally-sourced, lower-cost service delivery capabilities by our competitors and our clients; and
- economic conditions.

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

34

Table of Contents

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

As a services business, our largest expense is salaries and payroll-related expenses. However, it is our skilled employees that generate our revenues. Balancing our workforce levels against the demands for our services is difficult. Delays or cutbacks in projects or delays in finding new projects increase the non-productive time of our consultants which decrease our utilization levels and our margins. We generally cannot reduce our labor costs as quickly as negative changes in revenue can occur. In addition, in a number of the countries in which we operate, the local labor laws make it very expensive to involuntarily terminate employees. As a result, some of operations may retain underutilized employees for longer periods.

Our international operations expose us to additional risks that could have adverse effects on our business and operating results.

Our operations outside of the US represented just over half of our revenues in 2013. Due to our international operations, we are subject to a number of financial and operational risks that may adversely affect our revenue and profitability, including:

- the costs and difficulties related to managing geographically diverse operations;
- differences in, and uncertainties arising from, changes in foreign business culture and practices;
- our ability to obtain the necessary visas and work permits for foreign nationals;
- restrictions on the movement of cash and the repatriation of earnings;
- multiple and possibly overlapping or conflicting tax laws;
- the costs of complying with a wide variety of local laws;
- operating losses incurred in certain countries and the non-deductibility of those losses for tax purposes; and
- differences in, and uncertainties arising from, changes in legal, labor, political and economic conditions.

The revenues and expenses of our international operations generally are denominated in local currencies. Accordingly, we are subject to exchange rate fluctuations between such local currencies and the U.S. dollar. These exchange rate fluctuations subject us to currency translation risk with respect to the reported results of our international operations. There can be no assurance that we will be able to reduce the currency risks associated with our international operations. We manage our exposure to changes in foreign currency exchange rates through our normal operating and financing activities and, when deemed appropriate, with derivative financial instruments. There is no assurance that we will continue to use such financial instruments in the future or that any such use will be successful in managing or controlling foreign currency risks.

We have experienced and may continue to experience material impacts to revenues and earnings due to fluctuations in foreign currency rates, and in addition, these impacts may cause material fluctuations in our revenues and earnings from period to period. Significant strengthening or weakening of the U.S. dollar against currencies like the Great Britain Pound and the Euro may materially impact our revenue and profits. As we continue to expand our presence in India, we will have increased exposure to fluctuations between the Indian Rupee and the U.S. dollar. In addition, we have transactions with clients, as well as inter-company transactions between our subsidiaries, that cross currencies and expose us to foreign currency gains and losses. These types of events are difficult to predict and may recur.

Table of Contents

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

We operate in a highly competitive industry that includes a large number of diverse participants. We currently compete principally with other IT professional services firms and technology vendors, including a variety of large multinational providers and large offshore service providers that offer some or all of the services that we offer, as well as many niche solution or service providers that compete with us in a specific geographic market, industry segment or service area. Many of the companies that provide services in our industry have significantly greater financial, technical, offshore and marketing resources than we do. In addition, a client may choose to use its own resources rather than to engage an outside firm for the type of services that we provide. We may be unable to compete successfully with current or future competitors, and our revenue and profitability may be adversely affected. Additionally, some of our competitors, particularly those located in regions with lower costs of doing business, may be able to provide services and solutions to clients at lower costs or on more attractive terms. Increased competition has, and may continue to, put downward pressure on the prices we can charge for our services. In particular, one key element of our ability to improve our profitability in the face of these trends is our ability to implement and leverage a global workforce, deploying lower-cost resources to provide quality work at higher margins. If we are not able to integrate our global workforce in services delivery, we may not be able to maintain or improve our profitability.

Our operations are vulnerable to disruptions that may impact our results of operations and from which we may not recover.

As a services business, our operations around the world are highly dependent upon our employees, independent contractors, and service providers being able to effectively serve our clients. That ability may be impacted by many types of events that impact the people themselves or limit access to facilities or technology required to perform work. Examples of such events include severe weather, pandemics, natural disasters, infrastructure outages, terrorist attacks, governmental actions, political or economic instability, civil unrest, or the threat or perception that such events might occur. In such circumstances, our business continuity and disaster recovery plans may not be effective. In any such event, our results of operations could be adversely affected. In addition to the risk that we may not be able to serve our clients, we may be unable to protect our employees or facilities from harm. Where we have facilities with concentrations of employees (for instance, in several cities in the US, Europe, and India), our risk of disruption that materially impacts our results of operations may be higher. Insurance, if available for a given disruptive event, may be inadequate to compensate for the losses involved. If a disruption continues for an extended period of time, or if a short-term disruption renders a material portion of our operations ineffective for an extended period of time, our business may suffer material and potentially irreparable harm.

We might not be successful at identifying, acquiring, or integrating businesses or entering into joint ventures.

In the past we have made, and in the future it may be necessary to pursue, strategic and targeted acquisitions and joint ventures intended to enhance or add to our offerings of services and solutions, or to enable us to expand in certain geographic and other markets. Depending on the opportunities available, we may increase the amount of investment in such acquisitions or joint ventures. We may not successfully identify suitable acquisition candidates or joint venture opportunities. We also might not succeed in completing targeted transactions or achieve desired results of operations. Furthermore, we face risks in successfully integrating any businesses we might acquire or create through a joint venture. Ongoing business may be disrupted and our management's attention may be diverted by acquisition, transition, or integration activities. In addition, we might need to dedicate additional management and other resources, and our organizational structure could make it difficult for us to efficiently integrate acquired businesses into our ongoing operations and assimilate and retain employees of those businesses into our culture and operations. Business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset

impairment charges, assumed litigation and other liabilities, and legal, accounting, and financial advisory fees. We may have difficulties as a result of entering into new markets where we have limited or no direct prior experience or where competitors may have stronger market positions.

We might fail to realize the expected benefits or strategic objectives of any acquisition or joint venture we undertake. We might not achieve our expected return on investment or may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire or in which we invest, including from that company's known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients, or other third parties, and may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring, investing in or partnering with a company, including potential exposure to regulatory sanctions or liabilities resulting from an acquisition target's previous activities, any of which could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes or other adverse effects on our business. By their nature, joint ventures involve a lesser degree of control over the business operations of the joint venture itself, particularly when we have a minority

Table of Contents

position. This lesser degree of control may expose us to additional reputational, financial, legal, compliance or operational risks. Litigation, indemnification claims and other unforeseen claims and liabilities may arise from the acquisition or operation of acquired businesses. For example, we may face litigation or other claims as a result of certain terms and conditions of the acquisition agreement, such as earnout payments or closing net asset adjustments. If we are unable to complete the number and kind of acquisition and joint ventures for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability, or competitive position in specific markets or services.

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

We have recorded a significant amount of goodwill on our consolidated balance sheet as a result of numerous acquisitions. At September 30, 2014, the carrying value of our goodwill was \$273.3 million. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. We are required to test goodwill for impairment annually and do so during the second quarter of each year, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our reporting units below its book value. Such factors requiring an interim test for goodwill impairment include, but are not limited to, financial performance indicators such as negative or declining cash flows or a decline in actual or planned revenue or earnings and a sustained decrease in share price. Our cash flow estimates involve projections that are inherently subject to change based on future events. A significant downward revision in the fair value of one or more of our business units that causes the carrying value to exceed the fair value could cause goodwill to be considered impaired, and could result in a non-cash impairment charge in our consolidated statement of operations.

We have recorded several goodwill impairment charges in the past. The forecasts utilized in the discounted cash flow analysis as part of our impairment test assume future revenue and profitability growth in each of our divisions during the next five years and beyond. If our operating divisions cannot obtain, or we determine at a later date that we no longer expect them to obtain the projected levels of profitability, future goodwill impairment tests may also result in an impairment charge. There can be no assurances that our operating divisions will be able to achieve our estimated levels of profitability. We cannot be certain that goodwill impairment will not be required during future periods.

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

In 2013, approximately 14% of our total revenue was from public sector clients, including state, local, and foreign governments and agencies. Such programs can be modified or amended at any time by acts of the governments or agencies involved. Moreover, a number of state and local governments and agencies are suffering from significant budget shortfalls, which may result in curtailment of spending on consulting and technology services. Many contracts with public sector clients contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. Among other things, governments may cancel multi-year contracts if funds become unavailable during the term of the engagement. Cancellation or reduction in price or scope could limit our ability to recover incurred costs, reimbursable expenses and profits on work completed prior to the termination. If insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully recover our investments.

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

Although we sold our Federal division in 2012, we remain responsible for any audits related to certain engagements for the US federal government performed prior to the sale. The various agencies that our Federal division contracted with generally have the right to audit and review past work. As part of that process, the government agency could review our performance on the contract, our pricing practices, our cost structure, and our compliance with applicable laws, regulations, and standards. Any such audit could result in a substantial adjustment to our previously reported operating results. For example, any costs that were originally reimbursed could be subsequently disallowed, one consequence of which could be refunding cash collected in the past.

If a government audit uncovers improper or illegal activities by us, or we otherwise determine that these activities have occurred, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or disqualification from continuing to do business, or bidding on new business, with governments in various jurisdictions.

Table of Contents

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

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

In addition, the staggered terms of our board of directors could have the effect of delaying or deferring a change in control because it is not possible for shareholders to replace all of the members of the board of directors in a single election. Our board of directors is divided into three classes, with each class serving for three years between elections. As a result, only approximately 1/3 of the board of directors may be replaced at any given regular, annual meeting of the shareholders.

The above factors and certain provisions of the Delaware General Corporation Law may have the effect of deterring hostile takeovers or otherwise delaying or preventing changes in the control or management of Ciber. These provisions could limit the price that investors might be willing to pay in the future for our securities and as a result, the price of our securities could decline. In addition, these provisions could prohibit, discourage or adversely affect transactions in which our shareholders might otherwise be offered a premium over the then-current market price for their Ciber securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The following table sets forth information concerning our repurchases of Ciber common stock for the three months ended September 30, 2014:

Period	Total number of shares purchased (1)	Average price paid per share
July 1 to July 31	8,021	\$4.72
August 1 to August 31	14,945	\$3.77
September 1 to September 30	110,370	\$3.65
Total: July 1 through September 30, 2014	133,336	\$3.73

(1) All shares were purchased to satisfy minimum tax withholdings for employee stock plans. No shares were purchased as part of a publicly announced share repurchase or buy-back plan or program.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	File No.	Date Filed
3.1	Restated Certificate of Incorporation of Ciber, Inc.	10-Q	001-13103	11/7/2005
3.2	Amended and Restated Bylaws of Ciber, Inc. as adopted February 15, 2001; Amendment to the Amended and Restated Bylaws of Ciber, Inc. as adopted February 18, 2003; Amendment to the Amended and Restated Bylaws of Ciber, Inc. as adopted May 3, 2005; Amendment to the Amended and Restated Bylaws of Ciber, Inc., as adopted February 25, 2009	10-K	001-13103	3/5/2009
3.3	Amendment to the Amended and Restated Bylaws of Ciber, Inc., as adopted June 2, 2010	10-Q	001-13103	8/5/2010
10.1*	Michael Boustridge Notice of Grant of Restricted Stock Units and Restrict Stock Unit Agreement		Filed herewith	
10.2*	Michael Boustridge Notice of Grant of Stock Options and Option Agreement		Filed herewith	
10.3*	Tina Piermarini Notice of Grant of Restricted Stock Units and Restricted Stock Unit Agreement		Filed herewith	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		Filed herewith	
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		Furnished	
101.INS	XBRL Instance Document		Filed herewith	
101.SCH	XBRL Taxonomy Extension Schema Document		Filed herewith	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document		Filed herewith	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document		Filed herewith	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document		Filed herewith	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document		Filed herewith	

* Indicates a management contract or compensatory plan on arrangement.

Table of Contents

SIGNATURES

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

Ciber, Inc.
(Registrant)

Date: October 28, 2014

By /s/ Michael Boustridge
Michael Boustridge

Chief Executive Officer, President, and Director
(Principal Executive Officer)

By /s/ Christian M. Mezger
Christian M. Mezger
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)