

Annual Report
2001

Company Profile

In 2002, CTG began our 37th year of delivering information technology (IT) services that provide real business value to our customers. Our fully integrated array of staffing, application management outsourcing, and industry-focused IT solutions is backed by a time-tested suite of formal methodologies, a proprietary database of best practices, and an international network of strategic alliances and partnerships. Our 3,200 business and IT experts, based in nearly 50 offices throughout North America and Europe, help our clients use IT to achieve their business objectives.

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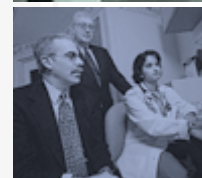
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Mission

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

Vision

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



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

Dear Fellow Shareholder:

There is no doubt that 2001 was one of the most challenging times in CTG's 36-year history. Since I was appointed president and CEO in mid-2001, our priority has been to implement a business strategy that capitalizes on CTG's greatest strengths. Our efforts also included realigning costs with current revenues, tightening our control of expenses, and solidifying our management team. With the support of CTG's capable and dedicated team, we have made real progress in this effort.

During 2001, we refined CTG's strategic direction to further emphasize our core competencies. We are focusing on those areas of the business that have been most successful for CTG, concentrating on markets where we already have a sizable position. While we are prepared to respond to market opportunities, we are not inclined to chase trends or to try to be all things to all people. Our business focus for the foreseeable future will be on CTG's current core service offerings: IT staffing, application management outsourcing, and IT solutions. We will also explore expanding our support of selected vertical markets.

Looking first at staffing, we have a renewed focus on this offering. Staffing is CTG's historic strength and our largest revenue contributor, an indicator of our strength in supplying clients with IT talent. CTG excels in staffing because of our recruiting engine and methodology, client relationships, and strong record and reputation for delivering to customer requirements.

While aggregate demand for external staffing did decline in 2001 in both North America and Europe as a result of the global economic downturn, staffing is still a solid business that is not going away. Staffing is a very large market—\$25 billion annually in the U.S. alone—and it is projected to grow, not at the 30% rate of the late '90s, but by up to 11% by 2004 (source: Gartner). The aggregate market for external staffing in western Europe will depend largely on how quickly the U.S. recovers economically. It is expected that the European growth rates will be similar or slightly lower than the U.S. rates. In markets of this size, staffing still represents a significant growth opportunity for CTG in both the U.S. and Europe. Additionally, staffing historically has been among the first industry groups to recover in an economic upturn, as companies are typically reluctant to increase permanent payroll coming out of a recession.

For CTG, a major benefit of our staffing offering is that it is a proven door-opener to expanding business and relationships. Of CTG's 50 largest customers, 37 began with a staffing relationship. As we shift to a more growth-focused approach to staffing than CTG has taken in recent years, our strategy is to reconnect with a broader range of clients of all sizes, while also looking to develop additional large procurement clients similar to our IBM staffing model. In the longer term, developing more IBM-type relationships has the potential to significantly accelerate CTG's revenue growth.

Application management outsourcing (AMO) is another offering where CTG has a very solid base and there is significant market opportunity. Market demand for AMO services is expected to have a compound annual growth rate (CAGR) of 12% from 2001 to 2005 (source: Gartner) as companies seek ways to reduce costs and as applications such as SAP evolve as legacy systems, which are prime candidates for outsourcing.

CTG is an excellent outsourcing partner because of our depth of experience as well as our proprietary AMO process and tools, which formalize knowledge transfer and provider



effectiveness. We have a continuous focus on quality, evidenced by our company-wide certification to ISO 9001.

From a financial perspective, an advantage of AMO is that it typically involves large, multi-year contracts that provide a strong, recurring revenue stream. The bulk of staff supporting AMO engagements comes directly from clients that are outsourcing applications, enabling us to expand our consulting organization on a certain stream of revenues, which is significantly less costly than building staff to support pursuit of a market opportunity.

Beginning in the second half of 2001, we shifted more sales and marketing resources to the AMO business and now have an expanding proposal pipeline. AMO projects, however, typically have a longer sales cycle than the rest of the work we pursue, with the time from discovering the initial opportunity to contract sometimes taking up to a year.

Currently the majority of CTG's IT solutions or development and integration work performed by the IT solutions group in North America and Europe occurs on a regional basis, supported by CTG consultants serving existing clients in various geographic markets. In both North America and Europe, existing client relationships have provided opportunities for development and integration work, because over time, we gain deep knowledge of a client's business and organization, and these projects are typically tied to the inner workings of the client's business and systems.

In 2002, we will continue to focus our development and integration efforts on providing IT solutions for customers we already serve where we can bring the highest added value. This approach to IT solutions is consistent with the current market environment and our strategy of concentrating our investments in areas where we will see positive results.

We have been successful in developing long-time relationships with customers across a variety of industries, including retail, oil and gas, process manufacturing, consumer packaged goods, financial services, and, most notably, healthcare. Our ability to develop vertical market expertise provided the foundation for our healthcare IT offering and also reflects our approach to solutions work in several European markets.

We support the healthcare industry on a company-wide basis, offering our full line of staffing, AMO, and solutions services primarily through our CTG HealthCare Solutions™ practice. The market for healthcare IT is gaining strength after several difficult years, as reflected in a double-digit percentage increase in CTG's 2001 healthcare practice revenues. In the healthcare sector, demand in 2001 increased for both project work and AMO work. In 2002, we expect to see an increase in healthcare organizations preparing for compliance with the Health Insurance Portability and Accountability Act (HIPAA), which sets stringent standardization for healthcare EDI and mandates strict guidelines for security of healthcare data and patient privacy.

Compliance with these federal mandates will transform many core processes and systems within the healthcare industry. Timeframes for compliance with the initial requirements are within the next two to three years and, as refinements to the regulations are promulgated, will span the next 10 years. As such, HIPAA represents a significant, long-term opportunity for CTG, and we will aggressively accelerate our HIPAA offerings in both the provider and payer markets.

We are positioned to capitalize on increasing market opportunity for healthcare IT because:

- IT expertise specific to healthcare is an important competitive differentiator given that healthcare is a unique business model.
- Strong, proven methodologies and capabilities and significant references further enhance the competitive position of CTG.
- With over 200 consultants dedicated exclusively to healthcare IT, CTG has the consulting power to serve a significant volume of work, and our focus on healthcare IT increases our ability to attract new healthcare IT consultants.

Healthcare has proven to be an excellent vertical market for CTG. Over the next few years, we plan to selectively explore taking a similar approach to additional vertical markets where we have significant expertise and experience and can build a strong service offering through internal growth. We began our vertical initiatives for 2002 with the fourth quarter 2001 launch of CTG Retail Solutions™, followed by the group's first win in early 2002, a sales/promotion portal website development project for WineSIT.com. WineSIT is a national marketing and information company for wine, spirit, and beer brand owners and retailers in the U.S. CTG Retail Solutions will work with WineSIT to develop a system that will help it to enhance and grow store traffic and store loyalty, and increase market share, while building brand awareness for its customers.

Concurrent with the refocusing of our business on CTG's core competencies, we made the difficult, but necessary, decision to further adjust CTG's cost structure to reflect recent revenues and the realities of the current business and economic environment. By not delaying this action and by implementing greater controls over CTG's selling, general, and administrative (SG&A) spending, we significantly enhanced our ability to manage through the further downturn in the economy later in the year while better positioning CTG for the long term.

We stabilized CTG's financial results in the 2001 second half to achieve a bottom line slightly above break-even, and from the first quarter to the fourth quarter of the year, we reduced SG&A expenses by 25%, exceeding the nearly 15% decline in sales during that period. These results reflect our focus in the present economic environment to manage the company to a modest profit based on current revenue levels while maintaining the flexibility to grow once the economy rebounds. This balanced and conservative response will help us maintain market position and enable us to respond to market opportunity in 2002.

Overall, 2001 was the second of two very difficult years for the economy, the information technology services sector, and CTG, and that is again reflected in our annual financial results. CTG reported a net loss for 2001 of \$2.2 million, or \$0.11 cash income per diluted share and a \$0.13 net loss per diluted share, on revenues of \$312.1 million, compared to a net loss for 2000 of \$5.7 million, or a \$0.04 cash loss per diluted share and a \$0.35 net loss per diluted share, on revenues of \$345.7 million in 2000.

While CTG's financial performance in 2001 was disappointing, we narrowed our loss from last year and reported modest profitability in the second half of 2001. Our 2001 financial results should also be considered in the context of the rest of our industry. Throughout 2001, we compared favorably to many competitors who delayed aligning costs to revenues and who lack CTG's broad base of business and clients.

There were also important developments in 2001 that will have a positive effect on CTG's future business and results. We began a significant development and integration relationship with Kaiser Permanente, the nation's largest non-profit HMO, valued at approximately \$15.7 million over two years, and expanded that later in the year with another significant engagement, a \$2 million system upgrade. We also began working with NISH, a national non-profit organization providing employment and training opportunities for people with severe disabilities, who hired us for a three-year, \$4 million AMO contract. And we continued our more than 30-year relationship as a technical services provider to IBM, our largest customer; as well as our nearly 10-year relationship with Frito-Lay, another major CTG client.

In looking ahead to next year, we are implementing our strategy from a solid foundation anchored by:

- A broad base of business and clients supported by significant client relationships with major companies (In 2001, CTG performed work for nearly 570 clients, including more than 100 Fortune 500 companies.)
- A cost structure in line with recent revenues
- A realistic business plan aligned with our core competencies and current market opportunities
- A continued focus on quality based on formalized, proprietary methodologies that ensure standardized, repeatable approaches to delivering IT solutions
- A strong management team with solid business experience and a track record of success at CTG and in the IT services business
- A significant track record of delivering solutions that contribute to our clients' success



Despite the current difficult economic and business environment, management and the Board remain confident in CTG's long-term prospects. The strength of CTG's customer relationships and the ability of our delivery organization to consistently deliver IT solutions that meet customer needs will help us protect CTG's current business and capitalize on new opportunities for growth. We continue to have a very strong consulting organization in North America and Europe that is completely committed to helping our clients succeed. The turnaround strategy we are executing for CTG is conservative and opportunistic. We believe this is the right approach in the current market and one that will produce a recovery for CTG as IT services spending and the economy improve.

As president and CEO, I have a strong personal commitment to delivering renewed growth for the benefit of our shareholders. Your continued confidence and support are greatly appreciated as everyone at CTG works to make that happen.

A handwritten signature in black ink that reads "James R. Boldt".

James R. Boldt
President and Chief Executive Officer

Service Offering

IT Staffing

CTG recruits, retains, and manages IT talent for our clients. We serve both large organizations with multiple locations and high-volume IT requirements, and companies that need to augment their own staff on a flexible basis. Our recruiters work with customers to define their requirements and develop the most competitive pricing to meet them. Our recruiting engine's pool of 210,000 employees and candidates lets us fill those requirements with the right professionals within 12 to 48 hours. CTG recruiters follow ISO 9001 standards to ensure that the selected specialists not only match technical specifications, but represent a good fit with our clients' corporate cultures.



IBM: A Long and Successful Partnership

A CTG Client Since 1969

For over three decades, CTG and IBM have enjoyed a mutually beneficial relationship. CTG provides technical services ranging from legacy systems support to help desk to e-business development. In the U.S., we're a supplier to all six of IBM's regions. We also provide support to IBM in locations across Canada, as well as in the Netherlands, Belgium, and the UK. Through our global relationship with our customers, CTG has become expert at building pipelines to a qualified pool of candidates, enabling us to respond quickly to high-volume requirements.

Market Update: IT Staffing

The accelerating trend to employ contractors to meet fluctuating IT support needs and align IT talent with current projects is reflected in a recent Gartner study, which found that by 2003, 60% of large companies will use external support for 50% of their IT activities. Fortune 1000 respondents to Gartner's annual "Users Wants and Needs" survey also said they expected to depend more on IT staff augmentation for load leveling and specialized skills in 2002 and 2003, a direction Gartner predicts will continue through 2004 and beyond. The overall IT staff augmentation market—\$25 billion in 2001 and \$27 billion in 2002—is projected to grow to \$38 billion by 2005 at a compound annual growth rate of 10.5% (source: Gartner).



CTG's Marcy Baldwin (right) and Zahid Butt review a weekly call resolution report from the help desk that CTG works on at IBM's Rochester, New York site to identify areas for improvement. CTG provides a variety of technical services to IBM.

Service Offering

Application Management Outsourcing

CTG has earned national recognition as a top provider of application management and IT outsourcing services. Our capabilities range from the support of single or multiple applications, facilities management, and help desk through a full suite of cost-effective maintenance, enhancement, and systems development and integration solutions. CTG's application management expertise is supported by our proprietary Application Advantage methodology and AssureWare™ suite of CTG-developed tools. Our methodologies comply with international ISO 9001 standards to deliver application management excellence through clearly defined processes and procedures and a tight focus on management activities.



Lone Star Steel: The Power of Teamwork

A CTG Client Since 1994

The partnership between CTG and Lone Star Steel is a true success story. Eight years ago, Lone Star, a leading manufacturer of tubular steel products based in Lone Star, Texas, outsourced all its IT functions to CTG, including application maintenance and development, strategic planning, telephony, PC repair, help desk, database administration, and network management. Since 1994, CTG has delivered significant value by helping Lone Star stabilize its IT environment, improve performance to system users, and align IT spending with market fluctuations. The CTG team has become solidly integrated into Lone Star's business and remains committed to strengthening our partnership value. In turn, Lone Star counts on CTG to provide high-quality services so Lone Star management and key staff can focus on initiatives that deliver competitive advantage.

Market Update: Application Management Outsourcing

An ever-increasing number of businesses are discovering that outsourcing helps them achieve their strategic and financial goals by enhancing their ability to keep pace with the latest technology, minimize risk, build partnerships, and broaden their infrastructure and operations reach. Gartner estimates the North American outsourcing market at \$101.6 billion in 2001—an 8% increase over 2000—and predicts that it will grow to \$159.6 billion by 2005 at a compound annual growth rate (CAGR) of 12%. Applications support and maintenance alone is expected to represent 23.2% of North American IT budgets in the upcoming year, while the European market (estimated at \$6 billion in 2002) is projected to expand at a CAGR of 16.7% over the next two years (source: Gartner).



CTG's Roy Gwinn (left) and Lone Star Steel's Clyde Shastid discuss the location of a microwave antenna in Lone Star's specialty tubing shipping warehouse. The antenna is part of a wireless network installed by CTG. Lone Star has been outsourcing all its IT functions to CTG since 1994, enabling the Texas-based company to concentrate on its core business of manufacturing tubular steel products.

Service Offering

IT Solutions

CTG delivers industry-focused IT solutions in areas such as retail, consumer packaged goods, and process manufacturing. They range from helping clients assess their business needs and identify the right IT solutions to meet them, to the delivery of services that include selection and implementation of packaged software and the design, construction, testing, and integration of new systems. Our state-of-the-art solutions are delivered by skilled technicians supported by a knowledge base regularly updated by our international network of IT specialists.



BP Solar: Energizing Creativity

A CTG Client Since 1999

CTG and BP Solar, a subsidiary of BP, P.L.C., have been successfully collaborating on global initiatives since 1999. Twenty IT professionals—working remotely out of one of CTG's five Solution Centers—have provided a wide array of services to this international provider of solar electric power solutions. Our projects include an enterprise-wide infrastructure assessment, as well as development, maintenance, and support services that have helped BP Solar to operate more efficiently. CTG has also delivered a variety of e-business services to BP Solar, including development of a global engineering website that streamlines and accelerates the company's design efforts by enabling BP Solar engineers to effectively share specifications, drawings, and other engineering-related information around the globe.

Market Update: IT Solutions

The IT services market is expected to continue recovering from its post-Y2K slowdown during 2002, as enterprises expand the search for cost savings through optimization and extension of IT technology and solution investments. Gartner predicts that new applications development alone will represent approximately 25.1% of companies' overall IT budgets in the upcoming year, and that worldwide development and integration spending will reach \$179 billion. The entire North American IT services market is expected to grow from \$271 billion in 2001 to \$423 billion in 2005 at a compound annual growth rate (CAGR) of 10.4%, with projected aggregate growth rates for IT services from 2002 to 2003 estimated at 9.4% for application development, 13.3% for application integration, and 11.3% for consulting (source: Gartner). The Western European IT services market is forecast to grow from \$149.8 billion in 2001 to \$229.2 billion in 2005 at a CAGR of 11.2% (source: Gartner).



CTG's Robert Clemente (left) and Dale Kasco (right) meet with BP Solar's Jerry Crutcher (center) outside BP Solar's Frederick, Maryland, manufacturing plant to review drawings produced by the Global Product Database (GPD) Web application that CTG created for BP Solar's engineering group. CTG provides a variety of information technology services to this global solar power company to help it operate more efficiently.

Vertical Market Focus

Healthcare

CTG is further developing its vertical market approach, which combines its core services with in-depth industry expertise. Today, healthcare is CTG's most significant vertical market focus and the business model for expanding into other vertical markets. Our nationally recognized CTG HealthCare Solutions™ group is dedicated to helping healthcare and related organizations achieve their financial and clinical objectives by more effectively using their information systems. Clients rely on us for support in delivering high-quality healthcare in the face of ever-decreasing reimbursements, steadily escalating costs, and the impact of new legislation such as the Health Insurance Portability and Accountability Act (HIPAA). CTG HealthCare Solutions' services are backed by in-depth consulting expertise and proprietary methodologies and processes. They include focused practices in Cerner, McKesson, IDX, Siemens, and MEDITECH products, as well as management consulting, e-security, physician practice management systems, and systems integration.



State University of New York
(SUNY) at Stony Brook:
United for Excellence

A CTG Client Since 1997

CTG HealthCare Solutions' longstanding relationship with the hospitals of the State University of New York (SUNY) includes a five-year collaboration with Stony Brook University Hospital (SBUH). Our successful installation of a new SMS INVISION® Patient Accounting application—which integrates patient data and accounting functions into one comprehensive system—has resulted in more consistent, accurate, and effective information management throughout SBUH. Currently, CTG HealthCare Solutions is working with the hospital to implement a pilot of Cerner's HNAM™ electronic medical record solution that will give SBUH physicians immediate access to vital clinical information, enhancing patient care and outcomes and supporting clinical research activities.

Market Update: Healthcare

The healthcare industry will increase external IT spending over the next several years owing to a combination of factors that includes the need to comply with provisions of HIPAA, which require standardization of administrative and financial transactions. Compliance deadlines in 2002 and 2003 will affect IT processes and systems of both healthcare payers and providers, and a recent Gartner survey estimates the average cost of compliance at \$13.6 million per payer and \$3 million per provider organization. North American healthcare organizations spent \$44 billion on IT products and services in 2001, a number Gartner projects will grow to \$49 billion in 2002 and \$61 billion by 2004, a compound annual growth rate of 10.5%.



Stony Brook University Hospital's (SBUH) Dr. Veena Mathad (right) points out the type of clinical information that must be readily accessible by SBUH physicians to CTG HealthCare Solutions' Marv Rosenberg (center) and SUNY Stony Brook's Dennis Proul (left). CTG HealthCare Solutions' efforts at SBUH have improved its information management system and are facilitating quicker access to vital patient data.

Stock Market Information	High	Low
Year ended December 31, 2001		
First Quarter	\$ 7.13	\$ 3.88
Second Quarter	\$ 6.40	\$ 3.45
Third Quarter	\$ 3.85	\$ 2.00
Fourth Quarter	\$ 3.98	\$ 1.30
Year ended December 31, 2000		
First Quarter	\$ 20.00	\$ 10.00
Second Quarter	\$ 11.00	\$ 4.75
Third Quarter	\$ 7.75	\$ 3.00
Fourth Quarter	\$ 6.38	\$ 2.69

The Company's common shares are traded on the New York Stock Exchange under the symbol CTG, commonly abbreviated Cptr Task.

On February 13, 2002, there were 3,276 record holders of the Company's common shares. The Company did not pay a dividend in 2001. The Company paid an annual cash dividend of \$.05 per share from 1993 to 2000 and, prior to that, paid \$.025 per share annually since 1976 plus a 10 percent share dividend in 1980.

Annual Meeting

The annual meeting of shareholders has been scheduled for May 1, 2002 in Buffalo, New York, for shareholders of record on March 15, 2002.

Form 10-K Available

Copies of the Company's Form 10-K Annual Report, which is filed with the Securities and Exchange Commission, may be obtained without charge upon written or verbal request to:

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

Transfer Agent and Registrar

EquiServe

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

EquiServe Trust Company, N.A.
 P.O. Box 43010
 Providence, RI 02940-3010

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

Independent Certified Public Accountants

Deloitte & Touche LLP
 Key Bank Tower, Suite 250
 50 Fountain Plaza
 Buffalo, NY 14202

CTG Board of Directors

George B. Beitzel

Retired Senior Vice President and Director of IBM

James R. Boldt

President and Chief Executive Officer of CTG

R. Keith Elliott

Retired Chairman and Chief Executive Officer of Hercules Incorporated

Randolph A. Marks

Chairman and Co-founder of CTG;
Retired Chairman of American Brass Company



CTG Officers

Alex P. Alexander

Vice President, CTG Retail Solutions™

G. David Baer

Executive Vice President and Co-founder of CTG

James R. Boldt

President and Chief Executive Officer

Arthur W. Crumlish

Vice President, Strategic Staffing Services

Stephen D'Anna

Vice President, Operations, North America

Gregory M. Dearlove

Vice President and Chief Financial Officer

Paul F. Dimouro

Vice President, Operations

Filip J.L. Gydé

Vice President and General Manager,
CTG Europe

Jonathan M. Harding

Vice President and General Manager,
North America

Thomas J. Niehaus

Vice President and General Manager,
CTG HealthCare Solutions™

Peter P. Radetich

Vice President, Secretary, and General Counsel

Rick N. Sullivan

Vice President, Western Region,
Strategic Staffing Services



Top (left to right)

James R. Boldt, Filip J.L. Gydé

Middle Upper (left to right)

G. David Baer, Peter P. Radetich, Paul F. Dimouro

Middle Lower (left to right)

Rick N. Sullivan, Arthur W. Crumlish, Gregory M. Dearlove

Bottom (left to right)

Stephen D'Anna, Jonathan M. Harding, Alex P. Alexander,
Thomas J. Niehaus

CTG

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