



2004 Annual Report

# Business Solutions

CDI-Aerospace  
CDI-Government Services  
CDI-IT Services  
CDI-Life Sciences  
CDI-Process & Industrial

Management Recruiters®  
International

Anders

Today's Staffing®

CDI helps clients improve profitability and efficiency by providing high-value engineering and information technology outsourcing solutions and professional staffing. Our business solutions allow clients to focus on their core competencies and maximize their growth potential.

CDI Corp. (NYSE: CDI) is a provider of engineering and information technology outsourcing solutions and professional staffing.

## Financial Highlights

Years ended December 31 – (In thousands, except per share data and ratios)

	2004	2003 (As Restated)	2002
Revenue	<b>\$ 1,045,207</b>	1,060,181	1,169,475
Year-to-Year Growth	<b>(1.4%)</b>	(9.3%)	(19.8%)
Operating Profit	<b>\$ 9,369</b>	31,191	6,701
% of Revenue	<b>0.9%</b>	2.9%	0.6%
Earnings (Loss):			
Continuing Operations	<b>\$ 7,528</b>	21,244	4,082
Net <sup>(a)</sup>	<b>\$ 7,528</b>	21,244	(9,359)
Diluted Earnings (Loss) Per Share:			
Continuing Operations	<b>\$ 0.38</b>	1.07	0.21
Net <sup>(a)</sup>	<b>\$ 0.38</b>	1.07	(0.48)
Shareholders' Equity	<b>\$ 267,190</b>	299,411	307,801
Per Share	<b>\$ 13.56</b>	15.30	15.90
Return on Equity <sup>(b)</sup>	<b>2.7%</b>	7.0%	1.3%
Shares Outstanding	<b>19,704</b>	19,572	19,355

(a) After discontinued operations and effect of accounting change.

(b) Continuing earnings divided by average shareholders' equity.

### Index

Letter to Shareholders	1
Business Segment Profile	4
Form 10-K and Financial Statements	5
Corporate Information	Inside Back Cover



**Roger H. Ballou**  
*President and CEO*

### Dear Shareholder:

The year 2004 was a time of transition for both the economy and CDI. Finally shaking off the last vestiges of the recession, the economy rebounded with moderate growth and improved fundamentals. Hiring, although not as robust as in prior recoveries, accelerated somewhat in the third and fourth quarter. However, capital spending by our customers in most of our vertical industry groups – a vital catalyst for our Business Solutions segment – remained largely flat.

In no uncertain terms, our earnings results in 2004 were very disappointing. This poor performance was due to a number of external and internal factors that led to disappointments in both revenues and expenses.

Externally, the economic recovery in 2004 largely occurred without two key factors critical to CDI: capital spending and accelerated hiring. Key clients in aerospace, refining, power generation, telecom and chemicals delayed their capital spending plans resulting in a postponement of engineering project start-ups until late in 2004 and into 2005. These delays not only affected the ramp-up of previously awarded contracts in many of our vertical industry groups, but also postponed the initiation of new projects.

The hiring of higher-skilled workers did not accelerate as anticipated during the recovery. Lower-skilled light industrial workers were the first beneficiaries of the uptick in the economy. More highly-skilled technical and professional workers experienced delays in the job market recovery, except in finance and accounting – areas where CDI has little presence.

Both capital spending by clients in our key verticals and hiring of higher-skilled workers did show positive movement in the fourth quarter of 2004 – a development we hope continues throughout 2005.

At CDI, we completed our evolution into a vertically-focused business solutions provider. Although a formidable task, we successfully integrated our professional services and engineering businesses to better meet the needs of our customers. We also reorganized our recruiting and sales

functions to increase efficiencies and focused on building skill and scale. The improved economy, our new go-to-market strategy and our strong business model will, ultimately, help grow revenue and profits. However, through a combination of factors, revenue and profit growth did not occur in 2004.

There were a number of internal factors which contributed to revenue declines. At Anders we experienced higher-than-normal management and key producer turnover. This turnover affected sales force efficiency since newly-hired sales professionals and recruiters require six months of training and ramp-up time to reach profitable levels of productivity.

Today's Staffing also experienced higher-than-normal turnover among its branch office sales force and, while they instituted an aggressive hiring and training program, these new employees did not reach profitable efficiency until later in 2004.

Expenses were also problematic in 2004. We spent more than expected in hiring activities associated with the recruiting and training of new sales forces in Anders and Today's Staffing. In addition, as planned, Business Solutions added new senior sales positions and sales support staff in each of its five vertical markets. While adversely impacting our bottom line in the near term, these expenses are an investment in future revenue growth as these new hires contribute their expertise and sales acumen to CDI.

The company also had a number of unanticipated expenses from a series of items during 2004. We took \$2.9 million in charges against earnings associated with vacated real estate which will yield savings in 2005 and beyond. We also incurred abnormal expenses and legal fees associated with the resolution of litigation, claims and disputes totaling \$5.4 million above the normal spending pattern during 2004.

Additionally, we identified a material weakness in our internal control environment which required restatements of both our 2004 and 2003 results. We have identified steps required to remediate the material weakness and have begun to implement those steps which include enhanced reconciliation and review procedures, hiring of additional personnel and additional training for accounting personnel.

Additionally, we incurred higher-than-anticipated costs related to Sarbanes-Oxley compliance totaling \$3.5 million. We are not unique among public companies in having underestimated the cost and operational complexity of compliance work associated with Section 404. In recent studies, A.R.C. Morgan estimated average Section 404 compliance costs to be \$3.0 million to \$3.2 million per \$1 billion of revenue and our spend closely correlated to those findings.

Although it was a very disappointing year, the fundamentals of our business remain strong. Our sales team has done a solid job of securing new and incremental business which will come on-line in 2005. Our new go-to-market strategy implemented in 2004 is yielding positive results as we continue to develop natural synergies between our professional staffing and project management capabilities. In addition, CDI remains debt-free and we maintained a strong working capital position in 2004 which enabled us to pay special and quarterly dividends during the year. Overall, CDI is well positioned to create revenue growth and to improve profitability in 2005.

### **Business Segment Discussion**

In 2004, we integrated our professional staffing and project management functions into five vertically focused units: CDI-Aerospace, CDI-Government Services, CDI-IT Services, CDI-Life Sciences, and CDI-Process & Industrial – these units comprise our Business Solutions segment. In addition, we recognized Anders, our U.K.-based business, as a separate business unit along with Management Recruiters International (MRI) and Todays Staffing.

Business Solutions reported slightly lower revenue year-over-year due to the aforementioned delays in new account ramp-up and from the cancellation of a major project in our Life Sciences vertical. Pre-tax operating profits were also lower primarily due to the effect of the costs associated with the resolution of litigation, claims and disputes. At an operating level, we saw margin deterioration primarily due to competitive pressure in the IT Services vertical and changes in business mix. Business Solutions' pipeline for 2005 looks promising based on new account wins and higher capital spending plans by our clients.

Pre-tax operating profits were adversely affected in Anders by the expenses associated with the previously-mentioned increases in turnover. A concerted effort has been made to hire and train revenue-producing personnel and the business has stabilized. We anticipate strong infrastructure spending in the U.K. market to continue in 2005 which will drive demand for Anders professional staffing solutions.

Todays Staffing struggled due to continued softness in local retail business and from a loss of national account volume due to pricing pressure. However, we were encouraged by accelerating growth in billable hours during the third and fourth quarter and we expect solid underlying business momentum leading into 2005.

MRI's royalty revenue increased at an accelerating rate in 2004 with year-over-year royalty growing by 6% in quarter one, 13% in quarter two, 22% in quarter three and 28% in quarter four. Traditionally, permanent placement hiring increases deeper into an economic upturn. This recovery period has been no exception as we continued to see building strength in permanent placement demand. Operating profit in MRI in 2004 was adversely effected by \$2.1 million in charges associated with vacated real estate.

### **Looking Ahead**

Our goal in 2005 is simple: increase revenue and return to profitable growth. We hit some rough patches this past year as we integrated our businesses and rolled out a new go-to-market strategy. Our balance sheet remains strong and our business model continues to generate sufficient cash to offer our shareholders dividends, to fund internal growth and to

As new projects come on-line and capital spending across industries increases in 2005, we anticipate growth in our project management and professional staffing businesses.

support targeted acquisitions. In addition, I am very encouraged by our ability to now offer a unique single-source solution for our clients' project management and professional staffing needs. And clients have taken notice. We won significant new business in 2004 – most of which will ramp-up this year – and our sales pipeline is robust.

Many of our large clients have indicated that they are increasing their capital spending plans particularly in the chemical and petrochemical areas. We have seen positive 2005 signals in the professional service area with increased demand indicated in IT staffing, permanent placement and administrative staffing.

In 2005 we will continue to execute our vertical market strategy and look for ways to increase skill and scale through prudent acquisitions, to enhance our core capabilities and to expand our existing range of services in an improving marketplace.

CDI has evolved significantly in the past three years and is no longer a patchwork of engineering and staffing units – it is now a vertically-focused business solutions company. It has taken a tremendous effort to reach this point and I believe we are poised to reap the benefits of our hard work. I am excited about our future and look forward to delivering high value to our shareholders, our customers and our employees.

Thank you for your interest in CDI.

Sincerely,



Roger H. Ballou

## Business Segments

### CDI Business Solutions

CDI Business Solutions offers clients a cost-effective single source of engineering, design, project management and consulting services as well as a full range of information technology staffing and solutions services. This segment also provides its clients with comprehensive staffing solutions tailored to a client's needs including managed staffing, temporary and permanent placement and project outsourcing.

CDI Business Solutions offers its services to customers in targeted industry verticals:

- CDI-IT Services – provides IT staffing and IT outsourcing solutions to a broad range of primarily service-based industries.
- CDI-Process & Industrial – provides a full range of engineering, project management, design, professional staffing and outsourcing solutions to firms in two different sectors: *process*, including firms in the oil, gas and chemical industries; and *industrial*, covering firms in power generation and energy transmission, telecommunications and heavy manufacturing industries.
- CDI-Aerospace – provides a full range of engineering, design, project management, professional staffing and outsourcing solutions to both the commercial and military aerospace markets.
- CDI-Government Services – provides engineering, design and logistics services to the defense industry.
- CDI-Life Sciences – provides design, validation, project management, engineering, professional staffing and outsourcing solutions to customers in the pharmaceutical, bio-pharmaceutical, and regulated medical services industries.

### Anders

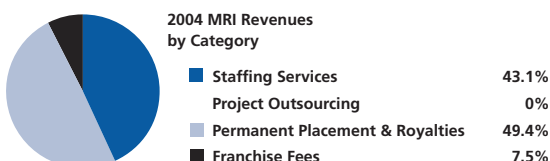
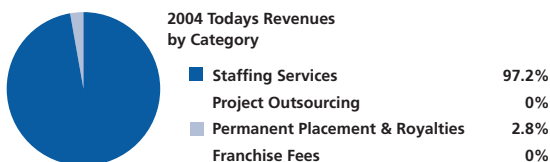
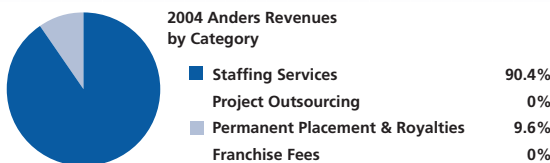
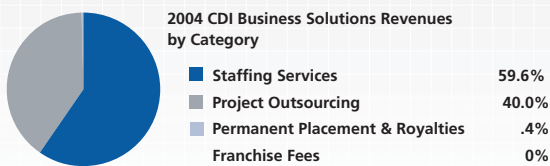
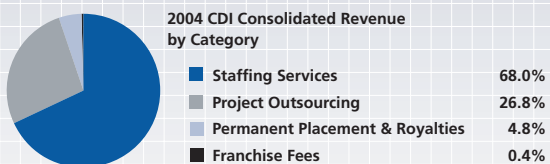
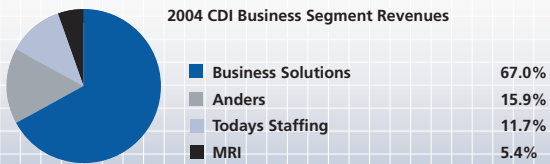
Anders is a major provider of building and construction personnel on a temporary and permanent basis for customers seeking professionals for both private and government-funded capital infrastructure projects. Anders' focus is in the U.K. and, to a lesser degree, Australia, providing professionals in architecture, building services, commercial and industrial construction, consulting engineering, facilities management, interior design, surveying and town planning.

### Todays Staffing

Todays Staffing provides temporary, permanent placement and managed staffing services for customers seeking office administrative, legal professionals and financial staff through approximately 70 company-owned and franchised offices in the U.S. and 10 company-owned offices in Canada.

### Management Recruiters International (MRI)

MRI is a franchisor providing support services to its franchise customers who engage in the search and recruitment of technical, professional, management and sales personnel for employment by the franchisee's customers. MRI also provides temporary staffing services support to its franchisees. MRI has approximately 1,000 franchised offices throughout the U.S. and in 35 countries throughout the world.



# Corporate Information

## Directors

**Roger H. Ballou** <sup>3,4</sup>

President and Chief Executive Officer of CDI Corp.

**Walter E. Blankley** <sup>2,5</sup>

Retired Chairman of the Board and Chief Executive Officer of AMETEK, Inc.

**Michael J. Emmi** <sup>4,5</sup>

Chairman and Chief Executive Officer of IPR International LLC

**Walter R. Garrison** <sup>3,5</sup>

Chairman of the Board of CDI Corp.

**Kay Hahn Harrell** <sup>1</sup>

Chairman and Chief Executive Officer of Fairmarsh Consulting

**Lawrence C. Karlson** <sup>1,2,4</sup>

Private Investor and Consultant; Chairman of Mikron Infrared Company, Inc.

**Ronald A. Kozich** <sup>1,2</sup>

Retired Managing Partner of Ernst & Young LLP's Philadelphia office

**Barton J. Winokur** <sup>3,4</sup>

Chairman and Partner of Dechert LLP

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Compensation Committee

<sup>3</sup> Member of Executive Committee

<sup>4</sup> Member of Finance Committee

<sup>5</sup> Member of Governance and Nominating Committee

## Corporate Executives

**Roger H. Ballou**

President and Chief Executive Officer

**Jay G. Stuart**

Executive Vice President and Chief Financial Officer

**Joseph R. Seiders**

Senior Vice President, General Counsel and Secretary

**Cecilia J. Venglarik**

Senior Vice President, Human Resources

## Shareholder Services

**Transfer Agent and Registrar**

Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07660-2108  
<http://www.melloninvestor.com/isd>  
800.851.9677

TDD for Hearing Impaired:

800.231.5469

Foreign Shareholders:

201.329.8660

TDD for Foreign Shareholders:

201.329.8354

**Stock Listing**

New York Stock Exchange

Ticker symbol: CDI



A copy of the Form 10-K for 2004 filed with the Securities and Exchange Commission accompanies this Annual Report. Copies of the news releases regarding quarterly earnings for 2004 are available without charge to any shareholder or beneficial owner of CDI stock upon request to:

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<http://www.cdicorp.com>



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[www.cdicorp.com](http://www.cdicorp.com)