BEARINGPOINT INC
Form 10-K/A
October 06, 2003
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended June 30, 2003

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

Commission File Number 001-31451

BEARINGPOINT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE **(State or other jurisdiction of** **incorporation or organization)**	**22-3680505** **(IRS Employer** **Identification No.)**
1676 International Drive, McLean, VA **(Address of principal executive office)**	**22102** **(Zip Code)**

(703) 747-3000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, $.01 Par Value

Series A Junior Participating Preferred Stock Purchase Rights

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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, and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.x

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES x NO ¨

As of December 31, 2002, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $1.3 billion.

The number of shares of common stock of the Registrant outstanding as of September 2, 2003 was 194,403,538.

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Explanatory Note

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities Exchange Act of 1934, the following is an amendment on Form 10-K/A of BearingPoint, Inc. for the year ended June 30, 2003. A change that was made at the printer immediately prior to filing the Form 10-K was incorrectly reflected in the Form 10-K. The Statement of Operations chart under the heading Reclassifications not impacting net income in the Quarterly Summarized Financial Information in Item 7 was inadvertently replaced by another chart. Separately, certain disclosures regarding stockholder notes under the heading Notes Receivable from Stockholders in Note 16, Capital Stock and Option Awards, of the Notes to Consolidated Financial Statements were omitted. The correct chart has been replaced in the Quarterly Summarized Financial Information in Item 7 and disclosure has been provided in Note 16 under the sub-heading Stock awards and Shareholder notes. Among other changes, we have adjusted Note 21, Segment Information of the Notes to Consolidated Financial Statements with respect to the reclassification of prior year segment information to conform with current year presentation, and we have adjusted amounts in the depreciation and amortization table as it relates to fiscal year 2003.

On September 29, 2003, the Company filed its Form 10-K for the fiscal year ended June 30, 2003, containing, among other items, the reports of Grant Thornton LLP on the Company s audited financial statements and financial statement schedule for 2001 and 2002, and the consent of Grant Thornton LLP on Exhibit 23.1. After the market close on October 3, 2003, Grant Thornton LLP informed the Company in writing that it had not provided its manually signed opinion or consent to the Company and had not otherwise authorized the filing of such report and consent. On October 6, 2003, Grant Thornton LLP provided to the Company its two manually signed reports and consent for inclusion in this Form 10-K/A. Solely in light of Grant Thornton s statement on October 3, 2003, PricewaterhouseCoopers LLP withdrew its reports and consent filed with the Company s Form 10-K on October 5, 2003. On October 6, 2003, PricewaterhouseCoopers LLP provided its reports and consent with respect to the Company s audited financial statements and schedule for fiscal year 2003 in connection with this Form 10-K/A. From September 29, 2003 through today, there have been no changes to the Company s audited financial statements and financial statement schedule for fiscal year 2001 and fiscal year 2002, except for the reclassification of certain segment information in note 21 to conform with current year classifications and related disclosures referred to in the preceding paragraph. From September 29, 2003 through today, there have been no changes to the Company s audited financial statements and financial statement schedule for fiscal year 2003 except as referred to in the preceding paragraph.

DOCUMENTS INCORPORATED BY REFERENCE

Pertinent extracts from Registrant s Proxy Statement for its 2003 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission are incorporated into Part III.

Such information incorporated by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

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* The information required by Items 10, 11, 12 and 13 (except for certain information regarding executive officers that is called for by Item 10, which information is contained in Part I and Equity Compensation Plan information required by Item 12, which information is contained in Part III) is incorporated herein by reference from the definitive Proxy Statement that the Company intends to file pursuant to Regulation 14A.

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PART I.

Item 1. Business

Item 1(a). *General Development of Business.*

BearingPoint, Inc. (formerly KPMG Consulting, Inc. and generally referred to below as we or the Company) was incorporated as a business corporation under the laws of the State of Delaware in 1999. Our principal offices are located at 1676 International Drive, McLean, Virginia 22102-4828. Our main telephone number is 703-747-3000. Our Company previously was a part of KPMG LLP, one of the former Big 5 accounting and tax firms. In January 2000, KPMG LLP transferred its consulting business to our Company. In February 2001 we completed our initial public offering, and on February 8, 2001 our common stock began to trade on the NASDAQ National Market under the ticker symbol KCIN. On October 2, 2002, the Company changed its name to BearingPoint, Inc. In connection with our name change, the Company moved to the New York Stock Exchange and began trading on October 3, 2002 under the new ticker symbol BE.

During the first quarter of fiscal year 2003, we significantly expanded our European presence with the purchase of KPMG Consulting AG (subsequently renamed BearingPoint GmbH (BE Germany)), which included employees in Germany, Switzerland and Austria. In addition, we furthered our global strategy by acquiring all or portions of selected Andersen Business Consulting practices in Brazil, Finland, France, Japan, Norway, Peru, Singapore, South Korea, Spain, Sweden, Switzerland, and in the United States and the consulting practice of the KPMG International member firm in Finland. We also strengthened our Latin American business with the acquisition of Ernst & Young s Brazilian consulting practice. By significantly expanding our global reach, we have improved our ability to serve our international clients, and we have diversified our revenue base.

Item 1(b). *Financial Information about Industry Segments.*

Information required by Item 1(b) is incorporated herein by reference to Note 21, Segment Information, of the Notes to Consolidated Financial Statements included under Item 8 of this Annual Report.

Item 1(c). *Narrative Description of Business.*

Overview

We are a large business consulting, systems integration and managed services firm with approximately 15,300 employees at June 30, 2003, serving Global 2000 companies, medium-sized businesses, government agencies and other organizations. The Company provides business and technology strategy, systems design, architecture, applications implementation, network, systems integration and managed services. Our service offerings are designed to help our clients generate revenue, reduce costs and access information necessary to operate their business on a timely basis.

Industry Groups

Our focus on specific industries provides us with the ability to tailor our service offerings to reflect our understanding of the marketplaces in which our clients operate. During fiscal year 2003, we provided consulting services through five industry groups in which we have significant industry-specific knowledge. Beginning in fiscal year 2004, we combined our Consumer and Industrial Markets and High Technology industry groups to form the Consumer, Industrial and Technology industry group. Our industry groups during fiscal year 2003 were:

Public Services assists public services clients in process improvement, enterprise resource planning and Internet integration service offerings. This group also provides financial and economic advisory services to governments, corporations and financial institutions around the world. Our public services clients include federal government agencies, state and local governments, and private and public higher education institutions. In addition, this group provides services to public service healthcare agencies and private sector payor and provider companies.

Communications & Content provides financial, operational and technical services to wireline and wireless communications carriers, public and private utilities, cable system operators and media and

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entertainment service providers. Our services assist clients with business strategy development, business process flow optimization, technology integration and asset preservation.

Financial Services focuses on delivering strategic, operational and technology services, including new, component-based business and technical architectures that leverage existing application systems and e-business strategies and development, delivered through consumer and wholesale lines of business. Our clients in the financial services sector include banking, insurance, securities, real estate, hospitality and professional services institutions.

Consumer and Industrial Markets designs and delivers solutions to assist clients with business challenges such as pressure to reduce costs, industry consolidation, global competition and accelerated time-to-market. To meet these challenges, we support our clients by implementing enterprise systems and business models, redefining business processes, improving supply chain efficiency and visibility by deploying product management, advanced planning and procurement solutions, capturing and integrating customer needs in customer management solutions, and implementing alternative business and systems strategies such as managed services. We provide our clients with actionable blueprints and experience in project management. We transfer knowledge to support the current and future business initiatives of our clients. Our Consumer and Industrial Markets practice offers segment solutions to the Global 2000 and mid-market clients in these segments: Automotive and Transportation; Chemicals and Natural Resources; Consumer Packaged Goods; Industrial Markets; Oil and Gas; and Retail/Wholesale.

High Technology focuses on the identification and delivery of business process improvements. Areas of focus include: enterprise systems; supply chain; product lifecycle and collaboration; sales, marketing and customer care; and channel and human resource management. Our services support both global market industry leaders and fast growing businesses requiring a broad range of technology, integration, infrastructure and managed services assistance. These solutions address business challenges specific to the electronics industry (including contract manufacturers), and consumer electronics, semiconductor, hardware and network equipment manufacturers; large and emerging software companies; and life sciences clients consisting of pharmaceutical, medical device and distribution companies.

International Operations

We have multinational operations covering North America, Latin America, the Asia Pacific region, and Europe, the Middle East and Africa (EMEA). We utilize this multinational network to provide consistent integrated services to our clients throughout the world.

For the year ended June 30, 2003, international operations represented 29.8% of our business (measured in revenue dollars), compared to 8.0% for the year ended June 30, 2002.

For additional information regarding the international acquisitions, see Company Overview in Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 6 Acquisitions, of the Notes to Consolidated Financial Statements.

Our Joint Marketing Relationships

As of June 30, 2003, we had approximately 50 joint marketing relationships with key technology providers that support and complement our service offerings. We have created joint marketing relationships to enhance our ability to provide our clients with high value services. Our joint marketing relationships typically entail some combination of commitments regarding joint marketing, sales collaboration, training and service offering development.

Our most significant joint marketing and product development relationships are with Cisco Systems, Inc., Oracle Corporation, PeopleSoft, Inc., Microsoft Corporation, SAP AG, and Siebel Systems, Inc. We work together to develop comprehensive solutions to common business issues, offer the expertise required to deliver those solutions, develop new products, capitalize on joint marketing opportunities and remain at the forefront of technology advances. These joint marketing agreements help us to generate revenue since they provide a source of referrals and the ability to jointly target specific accounts.

Competition

We operate in a highly competitive and rapidly changing market and compete with a variety of organizations that offer services similar to those we offer. The market in which we operate includes a variety of participants, including specialized e-business consulting firms, systems consulting and implementation firms, former Big 5 and other large accounting and consulting firms, application software firms providing implementation and modification services, service groups of computer equipment companies, outsourcing companies, systems integration companies, and general management consulting firms.

Some of our competitors have significantly greater financial, technical and marketing resources, generate greater revenue and have greater name recognition than we do. The competitive landscape is experiencing rapid changes. Over the past few years, some of the former Big 5 accounting and consulting firms have sold their consulting businesses and another completed its initial public offering. These changes in our marketplace may create potentially larger and better capitalized competitors with enhanced abilities to attract and retain professionals. We also compete with our clients internal resources.

Our revenue is derived from Global 2000 companies, medium-sized companies, governmental organizations and other large enterprises. There are an increasing number of professional services firms seeking consulting engagements with these companies. We believe that the principal competitive factors in the consulting industry in which we operate include scope of services, service delivery approach, technical and industry expertise, perceived value added, objectivity of advice given, focus on achieving results, availability of appropriate resources and global reach.

Our ability to compete also depends in part on several factors beyond our control, including the ability of our competitors to hire, retain and motivate skilled professionals, the price at which others offer comparable services and our competitors responsiveness. There is a significant risk that this increased competition will adversely affect our financial results in the future.

Intellectual Property

Our success has resulted in part from our methodologies and other proprietary intellectual property rights. We rely upon a combination of nondisclosure and other contractual arrangements, trade secret, copyright and trademark laws to protect our proprietary rights and rights of third parties from whom we license intellectual property. We also enter into confidentiality and intellectual property agreements with our employees that limit the distribution of proprietary information. We currently have only a limited ability to protect our important intellectual property rights.

Seasonality

Typically, client service hours, which translate into chargeable hours and directly affect revenue, are reduced during the first half of our fiscal year (i.e., July 1 through December 31) due to the larger number of holidays and vacation time taken by our employees and their clients.

Customer Dependence

In fiscal years 2003, 2002 and 2001, our revenue from the United States federal government was $719.0 million, $606.1 million and $482.1 million, respectively, representing 22.9%, 25.6% and 16.9% of our total revenue. A loss of all of our contracts with the United States federal government would have a material adverse effect on our business. While most of our government agency clients have the ability to unilaterally terminate their contracts, our relationships are generally not with political appointees, and we have not typically experienced a loss of federal government business with a change of administration.

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Backlog

Although our level of bookings is an indication of how our business is performing, we do not characterize our bookings, or our engagement contracts associated with new bookings, as backlog because our engagements can generally be cancelled or terminated on short notice.

Compliance with Environmental Laws

Federal, state and local statutes and regulations relating to the protection of the environment have had no material adverse effect on our operating results or competitive position, and we anticipate that they will have no material adverse effect on our future operating results or competitive position in the industry.

Employees

Our Company s future growth and success largely depends upon our ability to attract, retain and motivate qualified employees, particularly professionals with the advanced information technology skills necessary to perform the services we offer. Our professionals possess significant industry experience, understand the latest technology, and build productive business relationships. We are committed to the long-term development of our employees, and will continue to dedicate significant resources to our hiring, training and career advancement programs. We strive to reinforce our employees commitment to our clients, culture and values through a comprehensive performance review system and a competitive compensation philosophy that rewards individual performance and teamwork.

As of June 30, 2003, we had approximately 15,300 full-time employees, including approximately 13,100 professional consultants.

Item 1(d). ***Financial Information About Geographic Areas.***

Information required by Item 1(d) is incorporated herein by reference to Results of Operations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 21, Segment Information of the Notes to the Consolidated Financial Statements included under Item 8 of this Annual Report.

Item 1(e). ***Available Information.***

Our website address is *www.bearingpoint.com*. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. Information contained or referenced on our website is not incorporated by reference into and does not form a part of this Form 10-K.

Item 2. Properties

Our corporate headquarters is located in McLean, Virginia. This facility has approximately 229,000 square feet of office space. As of June 30, 2003, we used approximately 1.6 million square feet of office space in approximately 89 locations throughout the United States. Some of the spaces we occupy are used for specific client contracts or development activities while administrative personnel and professional service personnel use other spaces. In addition, as of June 30, 2003, we had approximately 81 locations in Latin America, Canada, the Asia Pacific region and Europe, the Middle East and Africa with approximately 1.3 million additional square feet of office space. All office space referred to above is leased. We believe that our facilities are adequate to meet our needs for at least the next 12 months.

Subsequent to June 30, 2003, the Company announced plans to reduce its global office space usage and exit redundant office facilities in order to eliminate excess capacity and align global office space usage with corporate benchmarks and the needs of our business. The Company expects that it will reduce global office space usage by approximately 23%. A restructuring charge of approximately $70 million, representing the future lease rentals, the unamortized cost of leasehold improvements and costs associated with consolidating facilities, will be recorded during fiscal year 2004, most of which will be recorded during the first quarter. For additional information regarding the global office space reduction see Note 22, Subsequent Events, of the Notes to Consolidated Financial Statements.

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Item 3. Legal Proceedings

Since August 14, 2003, various separate complaints purporting to be class actions were filed in the United States District Court for the Eastern District of Virginia alleging that we and certain of our officers violated Section 10(b) of the Securities Exchange Act of 1934 (the Exchange Act), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. The complaints contain varying allegations, including that we made materially misleading statements with respect to our financial results for the first three quarters of fiscal year 2003 in our SEC filings and press releases. The complaints do not specify the amount of damages sought. We have not filed any answers, motions to dismiss or other responsive pleadings in this litigation. We intend to defend these matters vigorously.

In addition to the matters referred to above, we are from time to time the subject of lawsuits and other claims and regulatory proceedings arising in the ordinary course of our business. We do not expect that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition or results of operations. Additional information regarding legal proceedings of the Company is incorporated by reference herein from Note 13, Commitments and Contingencies, of the Notes to Consolidated Financial Statements included under Item 8 of this Report.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders in the fourth quarter of fiscal year 2003.

Executive Officers of the Company

Our executive officers as of June 30, 2003 are:

Randolph C. Blazer, 53, has been Chairman of the Board since February 2001 and Chief Executive Officer and President since April 2000. From 1997 until April 2000, he served as a member of a two-person executive team (including as Co-Vice Chairman of consulting for KPMG LLP from January 1997 to August 1999 and as Co-Chief Executive Officer and Co-President of the Company from August 1999 until April 2000) that directed all Company services, managing its consulting professionals within various industry lines of business around the world. From 1991 until 1997, Mr. Blazer served as partner-in-charge of KPMG LLP s public sector consulting practice, where he oversaw all consulting products and service offerings for the line of business serving federal, state and local governments and higher education institutions.

David W. Black, 41, has been Executive Vice President, General Counsel and Secretary since April 2000. Previously, he was Executive Vice President, General Counsel and Secretary for Affiliated Computer Services, Inc., an information technology outsourcing firm, from 1995 until 2000.

Michael J. Donahue, 44, has been Group Executive Vice President and Chief Operating Officer since April 2000. Previously, he was Managing Partner, Solutions for KPMG LLP from 1997 until 2000.

Robert S. Falcone, 56, has been Executive Vice President and Chief Financial Officer since April 2003. Previously, he was Chief Financial Officer for 800.com, a telecommunications company, from 2000 until 2002, and Chief Financial Officer at Nike, Inc., a footwear and apparel manufacturer, from 1992 until 1998.

Nathan H. Peck, Jr., 49, has been Executive Vice President and Chief Administrative Officer since April 2000. Previously, he was Acting Chief Financial Officer between January 2000 and June 2000. From June 1999 to June 2000, he was Chief Administrative Officer, Consulting Practice for KPMG LLP. Prior to that, Mr. Peck was Co-Practice Leader, Financial Services Consulting Practice for KPMG LLP from 1997 until 1999.

Bradley J. Schwartz, 46, has been Group Executive Vice President, Worldwide Client Service since December 2002. Previously, he was Group Executive Vice President, Worldwide Client Service for the Financial

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Services practice from July 2000 until December 2002, and for the Communications and Content practice from July 1999 until July 2000. Prior to that, Mr. Schwartz was a Partner at KPMG LLP from 1997 until 1999.

The term of office of each officer is until election and qualification of a successor or otherwise at the pleasure of the Board of Directors.

There is no arrangement or understanding between any of the above-listed officers and any other person pursuant to which any such officer was elected as an officer.

None of the above-listed officers has any family relationship with any director or other executive officer.

PART II.

Item 5. Market for the Registrant s Common Stock and Related Stockholder Matters

Market Information

Prior to October 3, 2002, our common stock was listed on the NASDAQ National Market under the ticker symbol KCIN. On October 2, 2002, the Company changed its name to BearingPoint, Inc. and ceased trading on the NASDAQ National Market. On October 3, 2002, the Company moved to the New York Stock Exchange and began trading under the new ticker symbol BE. For information regarding high and low quarterly sales prices of our common stock, see the Quarterly Summarized Financial Information table included under Item 7 of this Report.

Holders

At June 30, 2003, we had approximately 1,114 stockholders of record.

Dividends

We have not paid cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock for at least the next 12 months. We intend to retain all of our earnings, if any, to finance the expansion of our business and for general corporate purposes. Our existing credit facilities contain financial covenants and restrictions, some of which directly or indirectly may limit our ability to pay dividends. Our future dividend policy will also depend on our earnings, capital requirements, financial condition and other factors considered relevant by our Board of Directors.

Item 6. Selected Financial Data

The selected financial data as of June 30, 2003 and for the year then ended is derived from the consolidated financial statements, which are included elsewhere in this Annual Report on Form 10-K, audited by PricewaterhouseCoopers LLP, independent auditors. The selected financial data as of June 30, 2002 and for the years ended June 30, 2002 and 2001 are derived from the consolidated financial statements, which are included elsewhere in this Annual Report on Form 10-K, audited by Grant Thornton, LLP, independent auditors. The selected financial data as of June 30, 2001, 2000 and 1999 and for the five months ended June 30, 2000, the seven months ended January 31, 2000 and the year ended June 30, 1999 are derived from the audited historical financial statements and related notes, audited by Grant Thornton, LLP, which are not included in this Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform with current period presentation. During fiscal year 2003, we significantly expanded our international presence through a series of acquisitions. For additional information regarding international acquisitions, see Note 6, Acquisitions of the Notes to Consolidated Financial Statements. Selected financial data should be read in conjunction with

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Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto included herein.

	Consolidated				Combined (1)	
	Year Ended			Five Months Ended	Seven Months Ended January 31,	Year Ended
	June 30, 2003	June 30, 2002	June 30, 2001	June 30, 2000	2000	June 30, 1999
	(in thousands, except per share amounts)				(in thousands)	
Revenue	$ 3,139,277	$ 2,367,627	$ 2,855,824	$ 1,105,166	$ 1,264,818	$ 1,981,536
Costs of service:						
Impairment charge		23,914	7,827	8,000		
Costs of service	2,424,006	1,742,861	2,133,250	817,800	897,173	1,381,518
Total costs of service	2,424,006	1,766,775	2,141,077	825,800	897,173	1,381,518
Gross profit	715,271	600,852	714,747	279,366	367,645	600,018
Amortization of purchased intangible assets	44,702	3,014				
Amortization of goodwill			18,176	5,210	4,398	4,321
Selling, general and administrative expenses	556,097	464,806	475,090	201,720	231,270	341,424
Special payment to managing directors (2)				34,520		
Operating income	114,472	133,032	221,481	37,916	131,977	254,273
Interest income	2,346	3,144	2,386	6,178		
Interest expense	(15,075)	(2,248)	(17,175)	(16,306)	(27,339)	(25,157)
Gain on sale of assets			6,867			
Equity in losses of affiliate and loss on redemption of equity interest in affiliate			(76,019)	(15,812)	(14,374)	(622)
Other income (expense), net	(2,677)	658	(692)	(439)	28	(111)
Income before partner distributions and benefits (1)					$ 90,292	$ 228,383
Income before taxes	99,066	134,586	136,848	11,537		
Income tax expense	57,759	81,524	101,897	29,339		
Income (loss) before cumulative effect of change in accounting principle	41,307	53,062	34,951	(17,802)		
Cumulative effect of change in accounting principle, net of tax		(79,960)				
Net income (loss)	41,307	(26,898)	34,951	(17,802)		
Dividend on Series A Preferred Stock			(31,672)	(25,992)		
Preferred stock conversion discount			(131,250)			
Net income (loss) applicable to common stockholders	$ 41,307	$ (26,898)	$ (127,971)	$ (43,794)		
Earnings (loss) per share - basic and diluted:						
Income before cumulative effect of change in accounting principle per share	$ 0.22	$ 0.34	$ (1.19)	$ (0.58)		
Cumulative effect of change in accounting principle per share		(0.51)				

Net income (loss) applicable to common stockholder per share	$	0.22	$	(0.17)	$	(1.19)	$	(0.58)

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	Consolidated				Combined
	As of June 30,				
	2003	2002	2001	2000	1999
Balance Sheet Data			(in thousands)		
Total assets	$ 2,049,812	$ 895,131	$ 999,635	$ 951,638	$ 492,191
Long-term obligations	340,042	9,966	13,414	76,602	22,860
Series A mandatorily redeemable convertible preferred stock				1,050,000	

(1) As a partnership, all of KPMG LLP s earnings were allocable to its partners. Accordingly, distributions and benefits to partners have not been reflected as an expense in our historical partnership basis financial statements through January 31, 2000. As a corporation, effective February 1, 2000, payments for services rendered by our managing directors are included as professional compensation. Likewise, as a corporation, we are subject to corporate income taxes effective February 1, 2000.

(2) For the period from January 31, 2000 through June 30, 2000, the profits of KPMG LLP and our Company were allocated among the partners of KPMG LLP and our managing directors as if the entities had been combined through June 30, 2000. Under this agreement, our managing directors received a special payment of $34.5 million by our Company for the five-month period ended June 30, 2000.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes to consolidated financial statements included elsewhere in this Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. See the Disclosure Regarding Forward-Looking Statements. All references to years, unless otherwise noted, refer to our fiscal year, which ends on June 30. For example, a reference to 2003 or fiscal year 2003 means the 12-month period that ended on June 30, 2003.

Company Overview

BearingPoint, Inc. is a large business consulting, systems integration and managed services firm with approximately 15,300 employees at June 30, 2003, serving Global 2000 companies, medium-sized businesses, government agencies and other organizations. The Company provides business and technology strategy, systems design, architecture, applications implementation, network, systems integration and managed services. Our service offerings are designed to help our clients generate revenue, reduce costs and access the information necessary to operate their business on a timely basis.

Commencing with our first acquisition of an international practice (Mexico) in December 1999, the Company has been executing a strategy to develop a global business platform primarily through acquisitions. During fiscal year 2003, we significantly expanded our European presence with the purchase of KPMG Consulting AG (subsequently renamed BearingPoint GmbH (BE Germany)), which included approximately 3,000 employees in Germany, Switzerland and Austria. We furthered our global strategy enabling us to better serve our multinational clients by acquiring all or portions of selected Andersen Business Consulting practices in Brazil, Finland, France, Japan, Norway, Peru, Singapore, South Korea, Spain, Sweden, Switzerland and in the United States, and the consulting practice of the KPMG International member firm in Finland. In addition, we strengthened our Latin American business with the acquisition of Ernst & Young s Brazilian consulting practice. Through June 30, 2003, we have completed 32 transactions (all of which are accounted for as purchase business acquisitions, and will therefore be referred to in this Form 10-K as acquisitions), and we have substantial multinational operations in North America, Latin America, the Asia Pacific region, and Europe, the Middle East and Africa (EMEA). These regional practices are organized along industry groups in which we have specialized knowledge and expertise, including Public Services, Communications & Content, Financial Services, Consumer and Industrial Markets, and

High Technology. For the year ended June 30, 2003, international operations outside North America represented 29.8% of our business (measured in revenue dollars), compared to 8.0% for the year ended June 30, 2002.

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The following chart provides a summary of our recent acquisitions:

Relevant Entity	Transaction Date
Andersen Business Consulting, United States	July 1, 2002
Andersen Business Consulting, Switzerland	July 1, 2002
Andersen Business Consulting, Nordics (including Finland, Norway and Sweden)	July 1, 2002
Andersen Business Consulting, Singapore	July 1, 2002
Andersen Business Consulting, South Korea	July 2, 2002
Andersen Business Consulting, Peru	August 1, 2002
Andersen Business Consulting, Spain	August 1, 2002
Andersen Business Consulting, Japan	August 1, 2002
KPMG Consulting AG (the consulting business of the German member of KPMG International)	August 22, 2002
Andersen Business Consulting, Brazil	August 23, 2002
Andersen Business Consulting, France	September 11, 2002
Business consulting practice of Ernst & Young, Brazil	September 18, 2002
Consulting business of the Finland member of KPMG International	October 1, 2002

The level of economic activity in the industries and regions we serve is a primary factor affecting the results of our operations. The pace of technological change and the type and level of technology spending by our clients also drives our business. Changes in business requirements and practices of our clients have a significant impact on the demand for the technology consulting and systems integration services we provide. The current economic downturn has negatively affected the operations of some of our clients, and in turn impacted their information technology spending. During this time, competition for new engagements and pricing pressure has remained strong. We do not expect business volumes to significantly improve during the next 12 months. We have responded to these challenging business conditions by focusing on a variety of revenue growth and cost control initiatives, including continued evaluation of the size of our workforce and required office space in relation to overall client demand for services, eliminating excess capacity and aggressively reducing discretionary costs to lower the cost of operations and maintain profit margins.

Financial Statement Presentation

The consolidated financial statements reflect the operations of the Company and all of its majority-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated. Certain prior period amounts have been reclassified to conform with current period presentation; such reclassifications were immaterial.

Segments

Through fiscal year 2002, the Company provided operations within five reportable segments. Our reportable segments were representative of the five major industry groups in which the Company has industry-specific knowledge, including Public Services, Communications & Content, Financial Services, Consumer and Industrial Markets and High Technology. Upon completion of a series of international acquisitions during the first quarter of fiscal year 2003, the Company established three international operating segments (EMEA and the Asia Pacific and Latin America regions). For fiscal year 2003, the Company has eight reportable segments in addition to the Corporate/Other category. The Company s chief operating decision maker, the Chairman and Chief Executive Officer, evaluates performance and allocates resources based upon the segments. Accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements. Upon consolidation, all intercompany accounts and transactions are eliminated. Inter-segment revenue is not included in the measure of profit or loss and total assets for each reportable segment. Performance of the segments is evaluated on operating income excluding the costs of infrastructure functions (such as information systems, finance and accounting, human resources, legal and marketing). Prior year information has been reclassified to reflect current year changes. Effective for fiscal year 2004, the Company combined its Consumer and Industrial Markets and High Technology industry groups to form the Consumer, Industrial and Technology industry group.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles in the United States requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management s estimates and assumptions are derived and continually evaluated based on available information, reasonable judgment and the Company s experience. Because the use of estimates is inherent in the financial reporting process, actual results could differ from those estimates. Accounting policies and estimates that management believes are most critical to the Company s financial condition and operating results pertain to revenue recognition (including estimates of costs to complete engagements); valuation of accounts receivable; valuation of goodwill; and effective income tax rates. See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements for descriptions of these and other significant accounting policies.

Revenue Recognition. We earn revenue from a range of consulting services, including, but not limited to, business and technology strategy, systems design, architecture, applications implementation, network, systems integration and managed services. Revenue includes all amounts that are billed or billable to clients, including out-of-pocket costs such as travel and subsistence for client service professional staff, costs of hardware and software and costs of subcontractors (collectively referred to as other direct contract expenses). Unbilled revenue consists of recognized recoverable costs and accrued profits on contracts for which billings had not been presented to the clients as of the balance sheet date. Management anticipates that the collection of these amounts will occur within one year of the balance sheet date, with the exception of approximately $8.0 million related to various long-term government agencies contracts. Billings in excess of revenue recognized are recorded as deferred revenue until the applicable revenue recognition criteria are met.

Services: We enter into long-term, fixed-price, time-and-materials, and cost-plus contracts to design, develop or modify multifaceted client-specific information technology systems. Such arrangements represent a significant portion of our business and are accounted for in accordance with AICPA Statement of Position (SOP) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Arrangements accounted for under SOP 81-1 must have a binding, legally enforceable contract in place before revenue can be recognized. Revenue under fixed-price contracts is generally recognized using the percentage-of-completion method based upon costs to the client incurred as a percentage of the total estimated costs to the client. Revenue under time-and-materials contracts is based on fixed billable rates for hours delivered plus reimbursable costs. Revenue under cost-plus contracts is recognized based upon reimbursable costs incurred plus estimated fees earned thereon.

We also enter into fixed-price and time-and-materials contracts to provide general business consulting services, including, but not limited to, systems selection or assessment, feasibility studies, and business valuation and corporate strategy services. Such arrangements are accounted for in accordance with Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. Revenue from such arrangements is recognized when: i) there is persuasive evidence of an arrangement, ii) the fee is fixed or determinable, iii) services have been rendered and payment has been contractually earned, and iv) collectibility of the related receivable or unbilled revenue is reasonably assured.

We periodically perform reviews of estimated revenue and costs on all of our contracts at an individual engagement level to assess if they are consistent with initial assumptions. Any changes to estimates are recognized on a cumulative catch-up basis in the period in which the change is identified. Loses on contracts are recognized when identified. Additionally, we enter into arrangements in which we manage, staff, maintain, host

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or otherwise run solutions and systems provided to the client. Revenue from these types of arrangements is typically recognized on a ratable basis as earned over the term of the service period.

Software: We enter into a limited number of software licensing arrangements. We recognize software license fee revenue in accordance with the provisions of AICPA Statement of Position 97-2, Software Revenue Recognition and its related interpretations. Our software licensing arrangements typically include multiple elements, such as software products, post-contract customer support, and consulting and training services. The aggregate arrangement fee is allocated to each of the undelivered elements based upon vendor-specific evidence of fair value (VSOE), with the residual of the arrangement fee allocated to the delivered elements. VSOE for each individual element is determined based upon prices charged to customers when these elements are sold separately. Fees allocated to each software element of the arrangement are recognized as revenue when the following criteria have been met: i) persuasive evidence of an arrangement exists, ii) delivery of the product has occurred, iii) the license fee is fixed or determinable, and iv) collectibility of the related receivable is reasonably assured. If evidence of fair value of the undelivered elements of the arrangement does not exist, all revenue from the arrangement is deferred until such time evidence of fair value does exist, or until all elements of the arrangement are delivered. Fees allocated to post-contract customer support are recognized as revenue ratably over the term of the support period. Fees allocated to other services are recognized as revenue as the services are performed. Revenue from monthly license charge or hosting arrangements is recognized on a subscription basis over the period in which the client uses the product.

Multiple-Element Arrangements for Service Offerings: In certain arrangements, we enter into contracts that include the delivery of a combination of two or more of our service offerings. Typically, such multiple-element arrangements incorporate the design, development or modification of systems and an ongoing obligation to manage, staff, maintain, host or otherwise run solutions and systems provided to the client. Such contracts are divided into separate units of accounting and the total arrangement fee is allocated to each unit based on its relative fair value. Revenue is recognized separately, and in accordance with our revenue recognition policy, for each element.

Valuation of Accounts Receivable. Periodically, we review accounts receivable to reassess our estimates of collectibility. We provide valuation reserves for bad debts based on specific identification of likely and probable losses. In addition, we provide valuation reserves for estimates of aged receivables that may be written off, based upon historical experience. These valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectibility of accounts receivable becomes available. Circumstances that could cause our valuation reserves to increase include changes in our clients liquidity and credit quality, other factors negatively impacting our clients ability to pay their obligations as they come due, and the quality of our collection efforts.

Valuation of Goodwill. Effective July 1, 2001, the Company early-adopted the new accounting principle related to goodwill, Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets. As a consequence, we recognized a transitional impairment loss of $80.0 million, net of tax, ($0.51 per share) as the cumulative effect of a change in accounting principle. This transitional impairment loss resulted from the change in method of measuring impairments. Upon adoption of SFAS No. 142, Goodwill is no longer amortized, but instead tested for impairment at least annually. The first step of the goodwill impairment test is a comparison of the fair value of a reporting unit to its carrying value. The fair value of a reporting unit is the amount which the unit as a whole could be bought or sold in a current transaction between willing parties. The goodwill impairment test requires us to identify our reporting units and obtain estimates of the fair values of those units as of the testing date. Our reporting units are our North American industry groups and our international geographic segments. We estimate the fair values of our reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures and working capital for each unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. The estimated fair value of each of our reporting units exceeded its respective carrying value in 2003 indicating the underlying goodwill of each unit was not impaired at the respective testing dates. We

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conduct our annual impairment test as of April 1 of each year. The timing and frequency of our goodwill impairment test is based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. We will continue to monitor our goodwill balance for impairment and conduct formal tests when impairment indicators are present. A decline in the fair value of any of our reporting units below its carrying value is an indicator that the underlying goodwill of the unit is potentially impaired. This situation would require the second step of the goodwill impairment test to determine whether the reporting unit s goodwill is impaired. The second step of the goodwill impairment test is a comparison of the implied fair value of a reporting unit s goodwill to its carrying value. An impairment loss is required for the amount which the carrying value of a reporting unit s goodwill exceeds its implied fair value. The implied fair value of the reporting unit s goodwill would become the new cost basis of the unit s goodwill.

Effective Income Tax Rates. Determing effect income tax rates are highly dependent upon management estimates and judgments, particularly at each interim reporting date. Circumstances that could cause our estimates of effective income tax rates to change include restrictions on the use of the Company s foreign subsidiary losses to reduce the Company s tax burden; the preparation of our corporate income tax returns; the level of actual pre-tax income; and changes mandated as a result of audits by taxing authorities.

Significant Components of Our Statements of Operations

Revenue. We derive substantially all of our revenue from professional service activities. Revenue includes all amounts that are billed or billable to clients, including out-of-pocket costs such as travel and subsistence for client service professional staff, costs of hardware and software and costs to subcontractors (collectively referred to as other direct contract expenses). Unbilled revenue represents revenue for services performed that have not been billed. Billings in excess of revenue recognized are recorded as deferred revenue until the applicable revenue recognition criteria are met. We recognize revenue when it is realized or realizable and earned. We consider revenue to be realized or realizable and earned when persuasive evidence of an arrangement exists, services have been rendered, fees are fixed or determinable and collection of revenue is reasonably assured. We generally enter into long-term, fixed-price, time-and-materials and cost plus contracts to design, develop or modify multifaceted client specific information technology systems. We generally recognize the majority of our revenue on a time-and-materials or percentage-of-completion basis as services are provided (See Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements).

We enter into contracts with our clients that contain varying terms and conditions. These contracts generally provide that they can be terminated without significant advance notice or penalty. Generally, in the event that a client terminates a project, the client remains obligated to pay for services performed and expenses incurred by us through the date of termination.

Professional Compensation. Professional compensation consists of payroll and related benefits associated with client service professional staff (including costs associated with reductions in workforce).

Other Direct Contract Expenses. As indicated above, other direct contract expenses include costs directly attributable to client engagements. These costs include out-of-pocket costs such as travel and subsistence for client service professional staff, costs of hardware and software, and costs of subcontractors.

Other Costs of Service. Other costs of service primarily consist of the costs attributable to the support of the client service professional staff, bad debt expense relating to accounts receivable, as well as other indirect costs attributable to serving our client base. These costs include occupancy costs related to office space utilized by professional staff, depreciation and amortization costs related to assets used in revenue generating activities, the costs of training and recruiting professional staff, and costs associated with professional support personnel.

Amortization of Purchased Intangible Assets. Amortization of purchased intangible assets represents the amortization expense on identifiable intangible assets related to customer and market-related intangible assets which primarily resulted from the various acquisitions of businesses.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses include costs related to marketing, information systems, depreciation and amortization, finance and accounting, human resources, sales force, and other expenses related to managing and growing our business. During fiscal year 2003, selling, general and administrative expenses also include costs associated with our rebranding effort.

Interest (Income) Expense, Net. Interest expense reflects interest incurred on the Company s borrowings, including interest incurred on private placement senior notes, borrowings under a receivables purchase facility and borrowings under revolving lines of credit. Interest income represents interest earned on short-term investments of available cash and cash equivalents.

Equity in Losses of Affiliate and Loss on Redemption of Equity Interest in Affiliate. Equity in losses of affiliate and loss on redemption of equity interest in affiliate related to Qwest Cyber.Solutions LLC (QCS), which was established in June 1999 as a joint venture with Qwest Communications International, Inc. to provide comprehensive Internet-based application service provider, application hosting and application management services. QCS incurred cumulative losses in excess of $65 million from its inception to December 27, 2000 and periodically required additional capital to fund its operations and acquire equipment to support the expansion of its business. We decided not to make any additional capital contributions to QCS and on December 27, 2000, QCS redeemed our 49% ownership interest in the joint venture in exchange for a nominal amount. Accordingly, our investment in QCS of $63.3 million ($58.5 million on a net of tax basis) was written off through a non-cash charge to earnings in December 2000.

Income Tax Expense. The Company s effective tax rate is significantly impacted by its level of pre-tax earnings and non-deductible expenses. Accordingly, if our pre-tax earnings grow and non-deductible expenses grow at a slower rate or decrease, our effective tax rate will decrease. Due to our high level of non-deductible travel-related expenses, and unusable foreign tax losses and credits, our effective tax rate exceeds our statutory rates.

Conversion Discount on Series A Preferred Stock. On January 31, 2000, Cisco Systems, Inc. (Cisco) purchased 5 million shares of our Series A Preferred Stock for $1.05 billion. On September 15, 2000, Cisco and KPMG LLP agreed that immediately prior to the closing of our initial public offering, KPMG LLP would purchase 2.5 million shares of Series A Preferred Stock from Cisco for $525 million. Our agreement with Cisco required us to repurchase that number of shares of our Series A Preferred Stock that would result in Cisco owning 9.9% of our common stock following the conversion and the initial public offering. At the initial public offering price of $18.00 there was a 20%, or $262.5 million conversion discount, such that the Series A Preferred Stock would convert into our common stock at $14.40 per share for an equivalent of 72.9 million shares. On November 29, 2000, KPMG LLP agreed to convert all of the Series A Preferred Stock it agreed to acquire from Cisco at the initial public offering price without any conversion discount. Thus, the net amount of the beneficial conversion feature (after deducting the amount of the conversion discount foregone by KPMG LLP) was $131.3 million. The intrinsic value (i.e., the beneficial conversion feature) ascribable to the Series A Preferred Stock as a result of the discounted conversion price was reflected as a preferred dividend and a reduction of net income available to common stockholders as of the date of the initial public offering (See Note 14, Series A Mandatorily Reedemable Convertible Preferred Stock, of the Notes to Consolidated Financial Statements).

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Results of Operations

The following table sets forth the percentage of revenue represented by items in our consolidated income statements for the periods presented.

	Year Ended June 30,		
	2003	**2002**	**2001**
Revenue	100%	100%	100%
Costs of service:			
Professional compensation	45	40	38
Other direct contract expenses	23	25	26
Other costs of service	9	9	11
Impairment charge		1	n/m
Total costs of service	77	75	75
Gross profit	23	25	25
Amortization of purchased intangible assets	1	n/m	
Amortization of goodwill			n/m
Selling, general and administrative expenses	18	20	17
Operating income	4	5	8
Interest income	n/m	n/m	n/m
Interest expense	n/m	n/m	n/m
Gain on sale of assets			n/m
Equity in losses of affiliate and loss on redemption of equity interest in affiliate			(3)
Other income (expense), net	n/m	n/m	n/m
Income before taxes	3	5	5
Income tax expense	2	3	4
Income (loss) before cumulative effect of change in accounting principle	1	2	1
Cumulative effect of change in accounting principle, net of tax		(3)	
Net income (loss)	1	(1)	1
Dividend on Series A Preferred Stock			(1)
Preferred stock conversion discount			(5)
Net income (loss) applicable to common stockholders	1%	(1)%	(5)%

n/m = not meaningful

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Year Ended June 30, 2003 Compared to Year Ended June 30, 2002

Revenue. Revenue increased $771.7 million, or 32.6%, from $2,367.6 million in the year ended June 30, 2002, compared to $3,139.3 million in the year ended June 30, 2003. The overall increase in revenue was predominantly due to the impact of the acquisitions completed during the first half of fiscal year 2003. Our three international operating segments (i.e. EMEA and the Asia Pacific and Latin America regions) accounted for $746.3 million, or 96.7%, of the global revenue increase, principally resulting from the aforementioned acquisitions. Total North America revenue increased by $30.6 million, or 1.4%, to $2.2 billion as increases in three of our North America business units (Public Services, Financial Services and Consumer and Industrial Markets) were nearly completely offset by declines in the Communications & Content and High Technology business units. North America revenue was positively impacted by personnel acquired from Andersen Business Consulting during the first quarter of fiscal year 2003 as engagement hours increased by 5.6%; however, a decline in the average gross bill rate per hour for the fiscal year ended June 30, 2003 compared to the fiscal year ended June 30, 2002 partially offset the higher level of engagement hours. Average gross billing rates in certain markets have declined due to continuous pricing pressures resulting from the challenging economic environment.

Our acquisitions completed in the first half of fiscal year 2003 significantly expanded our international presence and diversified our revenue base. For the fiscal year ended June 30, 2003, North America generated 70.3% of consolidated gross revenue, while EMEA, Asia Pacific and Latin America contributed 18.1%, 9.3% and 2.3%, respectively. By comparison, for the fiscal year ended June 30, 2002, North America contributed 92.0% of consolidated gross revenue, with EMEA, Asia Pacific and Latin America providing 0.7%, 5.4% and 1.9%, respectively.

Gross Profit. Gross profit as a percentage of revenue declined to 22.8% for the fiscal year ended June 30, 2003, compared to 25.4% for the fiscal year ended June 30, 2002. This decline is mainly attributable to an increase in professional compensation expense in relation to revenue resulting from the addition of approximately 7,000 billable employees in connection with the acquisitions completed in the first half of fiscal year 2003, offset in part by the Company s continued focus on a variety of revenue growth and cost control initiatives, including continued evaluation of required office space and the size of our workforce in relation to overall client demand for services. In dollar terms, gross profit increased by $114.4 million, or 19.0%, from $600.9 million for the year ended June 30, 2002, to $715.3 million for the year ended June 30, 2003. The increase in gross profit was due to an increase in revenue of $771.7 million described above, offset by:

A net increase in professional compensation of $481.9 million, or 51.2%, from $940.8 million for the year ended June 30, 2002, to $1,422.7 million for the year ended June 30, 2003. This increase is primarily related to the additional compensation expense in relation to revenue resulting from the addition of approximately 7,000 billable employees as a result of acquisitions completed in the first half of fiscal year 2003, including $13.5 million relating to common stock awards made to certain former partners of the Andersen Business Consulting practices. These increases are partially offset by savings achieved though the Company s workforce reduction actions that have occurred over the past 12 months in response to the challenging economy.

A net increase in other direct contract expenses of $128.6 million, or 21.7%, from $592.6 million, or 25.0% of revenue, for the year ended June 30, 2002, to $721.2 million, or 23.0% of revenue, for the year ended June 30, 2003. The $128.6 million increase in other direct contract expenses is attributable to higher revenue levels, while the improvement in other direct contract expenses as a percentage of revenue to 23.0% is due to the Company s continued efforts to limit the use of subcontractors and travel-related expenses.

A net increase in other costs of service of $70.7 million, or 33.8%, from $209.4 million for the year ended June 30, 2002, to $280.1 million for the year ended June 30, 2003. This increase is primarily due to an increase in other costs of service resulting from the acquisitions completed in the first half of fiscal year 2003, partially offset by lower levels of bad debt expense and tighter controls on discretionary spending.

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An impairment charge of $23.9 million ($20.8 million net of tax) recorded in the year ended June 30, 2002, primarily related to the write down of equity investments by $16.0 million and software licenses held for sale by $7.6 million.

Amortization of Purchased Intangible Assets. Amortization of purchased intangible assets increased $41.7 million to $44.7 million for the year ended June 30, 2003, from $3.0 million for the year ended June 30, 2002. This increase in amortization expense primarily relates to $45.7 million of order backlog, customer contracts and related customer relationships acquired as part of our acquisitions, which is being amortized over 12 to 15 months.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $91.3 million, or 19.6%, from $464.8 million for the year ended June 30, 2002, to $556.1 million for the year ended June 30, 2003. This increase is principally due to the impact of the acquisitions completed in the first half of fiscal year 2003 and $28.2 million in costs associated with the Company s rebranding initiative, offset partially by reduced discretionary spending and current cost control initiatives. Selling, general and administrative expenses as a percentage of gross revenue improved to 17.7% compared to 19.6% for the year ended June 30, 2003 and 2002, respectively.

Interest Income (Expense), Net. Interest income (expense), net, decreased $13.6 million to $12.7 million of net interest expense from $0.9 million of net interest income for the year ended June 30, 2003 and 2002, respectively. This increase in net interest expense is due to an increase in borrowings outstanding of $275.3 million from $1.8 million at June 30, 2002 to $277.2 million at June 30, 2003. The increase in borrowings is primarily due to the Company s borrowing of $220.0 million in August 2002 under a short-term revolving credit facility, which was retired in November 2002 upon the Company s completion of a private placement of $220.0 million in senior notes. Additionally, the Company has increased borrowings under its other credit facilities. The Company has used the borrowings primarily to finance a portion of the cost of its acquisitions completed during the first half of fiscal year 2003.

Income Tax Expense. For the year ended June 30, 2003, the Company earned income before taxes of $99.1 million and provided for income taxes of $57.8 million, resulting in an effective tax rate of 58.3%. For the year ended June 30, 2002, the Company earned income before taxes of $134.6 million and provided for income taxes of $81.5 million, resulting in an effective tax rate of 60.6%. The Company s effective tax rate continues to be negatively impacted because tax laws restrict the use of the Company s foreign subsidiary losses to reduce the Company s tax burden.

Cumulative Effect of Change in Accounting Principle. The Company adopted SFAS No. 142 during the first quarter of the fiscal year ended June 30, 2002 (as of July 1, 2001). This standard eliminated goodwill amortization upon adoption and required an assessment for goodwill impairment upon adoption and at least annually thereafter. As a result of adoption of this standard, the Company no longer amortizes goodwill, and during the fiscal year ended June 30, 2002, incurred a non-cash transitional impairment charge of $80.0 million (net of tax). This transitional impairment charge is a result of the change in accounting principle, which requires measuring impairments on a discounted rather than undiscounted cash flow basis.

Net Income (Loss). For the fiscal year ended June 30, 2003, the Company realized net income of $41.3 million, or $0.22 per share. For the fiscal year ended June 30, 2002, the Company incurred a net loss of $26.9 million, or $0.17 loss per share. Included in the prior year s results is the cumulative effect of a change in accounting principle of $80.0 million (net of tax) and an impairment charge of $20.8 million (net of tax) related to the write down of equity investments and software licenses held for sale.

Year Ended June 30, 2002 Compared to Year Ended June 30, 2001

Revenue. Revenue decreased $488.2 million, or 17.1%, from $2,855.8 million in the year ended June 30, 2001, to $2,367.6 million in the year ended June 30, 2002. This overall decrease was primarily attributable to a slower economy, which significantly impacted the financial services and high technology businesses with year- over-year declines of 50.4% and 57.6%, respectively. Public Services remained strong with growth of 10.9% and international revenue also grew by 32.8%, which was largely due to the acquisitions of the Australia and Southeast Asia consulting practices.

Gross Profit. Gross profit as a percentage of revenue improved slightly to 25.4% from 25.0% for the years ended June 30, 2002 and 2001, respectively. Despite the decrease in revenue discussed above, the Company was able to maintain its gross profit percentage as a result of its continued focus on expense control.

In dollar terms, gross profit decreased by $113.9 million, or 15.9%, from $714.7 million for the year ended June 30, 2001, to $600.9 million for the year ended June 30, 2002. The decrease in gross profit was due to a decline in revenue of $488.2 million described above, offset by:

A net decrease in professional compensation of $143.9 million, or 13.3%, to $940.8 million compared to $1,084.8 million in the prior year. This decrease was predominantly due to the Company s reduction in workforce actions, taken in the second and fourth quarters of fiscal year 2002 and the fourth quarter of fiscal year 2001. Overall the Company s average billable headcount has declined from approximately 8,900 in fiscal year 2001 to 8,100 in fiscal year 2002. Additionally, incentive compensation accruals were also lower as a result of the decrease in Company earnings.

A net decrease in other direct contract expenses of $159.3 million, or 21.2%, to $592.6 million, representing 25.0% of revenue, compared to $752.0 million, or 26.3% of revenue in the prior year. The decline as a percentage of revenue was a direct result of the Company s efforts to limit the use of subcontractors whenever possible, utilizing existing resources, and reduced travel-related expenses.

A net decrease in other costs of service of $87.2 million, or 29.4%, to $209.4 million from $296.5 million, was primarily due to a decrease in bad debt expense of $29.2 million, reduced training costs of $23.0 million, tighter controls on discretionary expenses, and reduced headcount.

During fiscal year 2002, the Company recorded an impairment charge of $23.9 million ($20.8 million net of tax) primarily to write down equity investments by $16.0 million and software licenses held for sale by $7.6 million. These charges eliminated the Company s exposure to loss related to equity investments and software licenses held for sale. The Company s impairment charge of $7.8 million ($4.6 million net of tax) in fiscal year 2001 related to software licenses held for sale.

Amortization of Purchased Intangible Assets. Amortization of purchased intangible assets decreased by $15.2 million to $3.0 million for fiscal year 2002 as a result of the Company electing to early-adopt SFAS No. 142, Goodwill and Other Intangible Assets, which eliminated goodwill amortization.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $464.8 million for the year ended June 30, 2002. This reflects a decrease of $10.3 million, or 2.2%, from $475.1 million in fiscal year 2001, which was primarily due to lower levels of practice development expenses.

Interest Income. Interest income increased $0.8 million, or 31.8%, from $2.4 million during fiscal year 2001 to $3.1 million for fiscal year 2002. This increase was primarily due to the Company s increase in short term investments due to an increase of $157.7 million in its cash and cash equivalents position to $203.6 million at June 30, 2002 from $45.9 million at June 30, 2001.

Interest Expense. Interest expense decreased $14.9 million, or 86.9%, from $17.2 million to $2.2 million for the year ended June 30, 2001 and 2002, respectively. This decrease was due to a repayment of all outstanding borrowings under our credit facility during fiscal year 2001, resulting from the use of proceeds from our initial public offering, and improvements made in our management of client billings and collections. This improvement is evidenced by the further reduction in our days sales outstanding from 68 days at June 30, 2001 to 55 days at June 30, 2002.

Equity in Losses of Affiliate and Loss on Redemption of Equity Interest in Affiliate. For the year ended June 30, 2001, loss on redemption of equity interest in affiliate and equity losses of affiliate of $76.0 million related primarily to the redemption of our equity investment in QCS in December 2000.

Income Tax Expense. For the year ended June 30, 2002, the Company earned income before taxes and cumulative effect of change in accounting principle of $134.6 million and provided income taxes of $81.5 million, resulting in an effective tax rate of 60.6%. This rate was impacted by the non-deductibility of losses incurred by certain international operations as well as non-deductible impairment losses relating to equity investments. For the year ended June 30, 2001, the Company earned income before taxes of $136.8 million and provided income taxes of $101.9 million, resulting in an effective tax rate of 74.5%. This rate was significantly impacted by the non-deductibility of the loss on redemption of equity interest in affiliate coupled with non-deductible losses in certain international operations.

Cumulative Effect of Change in Accounting Principle. The Company elected to early-adopt SFAS No. 142 as of July 1, 2001. This standard eliminates goodwill amortization upon adoption and requires an assessment for goodwill impairment upon adoption and at least annually thereafter. As a result of adoption of this standard, the Company did not amortize goodwill during the year ended June 30, 2002, and incurred a non-cash transitional impairment charge of $80.0 million, net of tax. This transitional impairment charge was a result of the change in accounting principles to measuring impairments on a discounted versus an undiscounted cash flow basis.

Preferred Stock Dividends. Series A Preferred Stock dividends totaling $31.7 million were recorded in the year ended June 30, 2001. After December 31, 2000, the Company was no longer required to pay dividends on our Series A Preferred Stock because it was redeemed and converted in connection with our initial public offering.

Preferred Stock Conversion Discount. Our Series A Preferred Stock contained a beneficial conversion feature whereby the preferred stock could convert into common stock at a rate of between 75% and 80% of the initial public offering price. Based upon an initial public offering price of $18 per share, the net amount of this one-time non-cash beneficial conversion feature was $131.3 million.

Net Income (Loss) Applicable to Common Stockholders. For the year ended June 30, 2002, the Company incurred a net loss applicable to common stockholders of $26.9 million, or $0.17 per share. For the year ended June 30, 2001, the Company incurred a net loss applicable to common stockholders of $128.0 million, or $1.19 per share. Both periods results were impacted by significant one-time or nonrecurring charges, as described above.

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Industry Results

Through fiscal year 2002, the Company provided operations within five reportable segments. Our reportable segments were representative of our five major industry groups. Upon the completion of a series of international acquisitions during the first quarter of fiscal year 2003, the Company established three international operating segments (i.e., EMEA and the Asia Pacific and Latin America regions). For fiscal year 2003, the Company has eight reportable segments in addition to the Corporate/Other category. Prior year information has been reclassified to reflect fiscal year 2003 presentation. Effective for fiscal year 2004, the Company combined its Consumer and Industrial Market and High Technology industry groups to form the Consumer, Industrial and Technology industry group.

	Year Ended June 30,		
	2003	2002	2001
		(in thousands)	
Revenue:			
Public Services	$ 1,094,754	$ 966,422	$ 871,597
Communications & Content	350,694	473,269	551,089
Financial Services	236,773	229,993	463,930
Consumer and Industrial Markets	368,692	311,144	367,433
High Technology	155,251	194,751	459,448
EMEA	567,581	16,089	18,311
Asia Pacific	293,258	128,145	60,620
Latin America	73,743	44,054	62,800
Corporate/Other (1)	(1,469)	3,760	596
Total	$ 3,139,277	$ 2,367,627	$ 2,855,824
Revenue %:			
Public Services	35%	41%	31%
Communications & Content	11%	20%	19%
Financial Services	8%	10%	16%
Consumer and Industrial Markets	12%	13%	13%
High Technology	5%	8%	16%
EMEA	18%	1%	1%
Asia Pacific	9%	5%	2%
Latin America	2%	2%	2%
Corporate/Other (1)	n/m	n/m	n/m
Total	100%	100%	100%
Gross profit (loss):			
Public Services	$ 350,237	$ 342,198	$ 277,145
Communications & Content	112,892	141,592	161,686
Financial Services	69,262	46,771	91,819
Consumer and Industrial Markets	98,324	100,550	112,379
High Technology	43,847	51,689	151,292
EMEA	108,963	1,917	680
Asia Pacific	48,342	11,151	8,069
Latin America	23,465	3,212	(8,089)
Corporate/Other (1)	(140,061)	(98,228)	(80,234)

Total	$ 715,271	$ 600,852	$ 714,747
Gross profit (loss) %:			
Public Services	49%	57%	39%
Communications & Content	16%	23%	22%
Financial Services	10%	8%	13%
Consumer and Industrial Markets	14%	17%	16%
High Technology	6%	9%	21%
EMEA	15%	n/m	n/m
Asia Pacific	7%	2%	1%
Latin America	3%	n/m	-1%
Corporate/Other (1)	(20%)	(16%)	(11%)
Total	100%	100%	100%

(1) Corporate/Other operating loss is principally due to infrastructure and shared services costs.
n/m = not meaningful

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Public Services, the Company s largest business unit, generated revenue in the year ended June 30, 2003 of $1,094.8 million, representing an increase of $128.3 million, or 13.3%, over the year ended June 30, 2002. This increase was predominantly due to growth in the Federal and State and Local business segments, driven by an 11.6% increase in engagement hours as gross billing rates were consistent year over year. Gross profit declined to 32.0% of revenue in fiscal year 2003 from 35.4% of revenue in fiscal year 2002. The decline in gross profit percentage was principally due to higher solution development costs, coupled with an increase in compensation expense.

Communications & Content generated revenue of $350.7 million in the year ended June 30, 2003, representing a decline of $122.6 million, or 25.9%, over the year ended June 30, 2002. This decline was primarily the result of reduced spending in the telecommunications industry and the Company s completion of several large contracts involving testing related to compliance with the 1996 Telecommunications Act, resulting in a 23.5% decrease in engagement hours and a slight decline in the gross billing rate year over year. Gross profit increased to 32.2% of revenue in fiscal year 2003 from 29.9% of revenue in fiscal year 2002. The improvement in gross profit was principally due to reduced reliance on subcontractors in fiscal year 2003, as well as an impairment charge related to software licenses in fiscal year 2002.

Financial Services generated revenue in the year ended June 30, 2003 of $236.8 million, representing growth of $6.8 million, or 2.9%, over the year ended June 30, 2002. The increase in revenue was principally due to an increase in engagement hours as gross billing rates were consistent year over year. Gross profit increased to 29.3% of revenue in fiscal year 2003 from 20.3% of revenue in fiscal year 2002. The improvement in gross profit was principally due to revenue growth combined with declines in all costs of service expense margins in fiscal year 2003.

Consumer and Industrial Markets generated revenue in the year ended June 30, 2003 of $368.7 million, representing growth of $57.5 million, or 18.5%, over the year ended June 30, 2002. This business unit received the greatest revenue and resource impact from personnel hired from Andersen Business Consulting in the United States. The growth in revenue was principally due to a 31.0% increase in engagement hours, partially offset by a 9.5% decline in the gross billing rate year over year. Gross profit declined to 26.7% of revenue in fiscal year 2003 from 32.3% of revenue in fiscal year 2002. The decline in gross profit was principally due to a decline in the gross billing rate, increased compensation as a result of the change in the mix of resources, as well as the hiring of Andersen Business Consulting personnel.

High Technology generated revenue for the year of $155.3 million, representing a decrease of $39.5 million, or 20.3% over the previous year. This decrease in revenue was primarily attributable to a 30.7% decline in the gross billing rate, principally the result of pricing pressures driven by the sluggish economy, partially offset by a 15.0% increase in engagement hours. Gross profit increased to 28.2% of revenue in fiscal year 2003 from 26.5% of revenue in fiscal year 2002. The improvement in gross profit was principally due to reduced reliance on subcontractors in fiscal year 2003, as well as reduced levels of bad debt expense as a result of the decline in revenues.

EMEA generated revenue of $567.6 million for fiscal year 2003 and $16.1 million in fiscal year 2002. The increase in revenue was predominantly due to the impact of the acquisitions completed during the first half of fiscal year 2003. Gross profit improved to 19.2% of revenue in fiscal year 2003 from 11.9% of revenue in fiscal year 2002. The improvement in gross profit was principally due to reduced reliance on subcontractors in fiscal year 2003 as we have increased and diversified our resources and offerings in this region.

Asia Pacific generated revenue of $293.3 million for fiscal year 2003, representing an increase of $165.1 million over the previous fiscal year. The increase in revenue was predominantly due to the impact of the acquisitions completed during the first half of fiscal year 2003, coupled with organic growth in the region. Gross profit improved to 16.5% of revenue in fiscal year 2003 from 8.7% of revenue in fiscal year 2002. The improvement in gross profit was principally due to higher revenue combined with declines in all costs of service expense margins in fiscal year 2003.

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Latin America generated revenue of $73.7 million for fiscal year 2003, representing an increase of $29.7 million over the previous fiscal year. The increase in revenue was predominantly due to the impact of the acquisitions completed during the first half of fiscal year 2003, coupled with organic growth in the region. Gross profit improved to 31.8% of revenue in fiscal year 2003 from 7.3% of revenue in fiscal year 2002. The improvement in gross profit was principally due to higher revenue combined with declines in all costs of service expense margins in fiscal year 2003.

Quarterly Summarized Financial Information

Restatement

BearingPoint experienced significant activity for the fiscal year ended June 30, 2003. During this period, the Company considerably expanded its global presence adding consulting resources in 8 additional countries through 15 purchase business acquisitions for an aggregate purchase price of $800 million. In August 2003, the Company reported that it would restate its financial results for the first three quarters of fiscal year 2003. The restatements will require the Company to amend our previously filed form 10-Q s for each of the quarterly periods within 2003. We are currently in the process of preparing these amendments to our previously filed Form 10-Q s. The restatements occurred in the following general areas:

- Purchase accounting resulting from the application of SFAS No. 141 Business Combinations and EITF 95-3 Recognition of Liabilities in Connection with a Purchase Business Combination ;

- Revenue recognition related to contract accounting and the application of SOP 81-1 Accounting for Performance of Construction Type and Certain Production-Type Contracts ;

- The accounting treatment of accrued liabilities and the use of estimated months to account for operations subsequent to certain international business acquisitions; and

- The accounting treatment of stock awards and related shareholder notes.

In total these adjustments resulted in a decrease in previously reported net income and earnings per share in the first, second and third quarters of fiscal year 2003 of $2.9 million, or $0.02 per share, $1.8 million or $0.01 per share and $8.2 million, or $0.04 per share, respectively.

Summarized below is a more detailed discussion of the restatements along with a comparison of the amounts previously reported in the statement of operations in our Form 10-Q s for the months ended September 30, December 31, and March 31, 2003, respectively.

Purchase Accounting

During the quarter ended September 30, 2002, the Company completed various acquisitions that were accounted for as purchase business acquisitions, resulting in approximately $26.4 million in identified intangible assets. These acquisitions included the purchase of KPMG Consulting AG, a substantial consulting practice in Germany, and the purchase of all or parts of a number of Andersen Business Consulting practices worldwide. The Company completed preliminary purchase price allocations to allocate the purchase prices to acquired assets and assumed liabilities. The excess of the cost of the acquired entities over the amounts assigned to the acquired assets and liabilities assumed was recognized as goodwill. As part of the initial purchase price allocation, value was ascribed to only contractual backlog (order backlog) and a trade name. This initial allocation was determined to be too low, and accordingly, an additional $20.8 million of value for identified intangible assets related to customer contracts and related customer relationships was allocated to these identified intangible assets with a corresponding reduction to goodwill. The additional intangible assets are being amortized over useful lives ranging from 12 to 15 months. As a result, approximately $3.0 million, $4.2 million and $4.6 million of incremental amortization of purchased intangible assets were recorded in the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003, respectively.

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During the fiscal year ended June 30, 2003 the Company completed a series of restructurings related to many of its purchase business acquisitions increasing goodwill by approximately $2.2 million and $3.1 million for the quarters ended December 31, 2002 and March 31, 2003, respectively, for certain charges relating to exiting from leased facilities. It was determined that these charges did not satisfy the criteria to be included in purchase accounting in accordance with EITF 95-3, and were therefore deducted from goodwill and charged to costs of service.

Contract Accounting

In one of our international consulting practices, we identified an accumulation of work in process on our balance sheet. The Company identified approximately $0.9 million, $2.5 million and $2.4 million in revenue related to pre-contract activities that was inappropriately recognized in the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003, respectively. As such, these amounts have been reversed from revenue, as no contractual arrangement existed at the time the amounts were recorded and recovery of these costs were not considered probable.

In addition, the Company identified certain circumstances where the percentage of completion method as prescribed under Statement of Position 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts was not appropriately applied. On a combined net basis, approximately $1.9 million and $2.4 million have been reversed from revenue in the quarters ended September 30, 2002 and March 31, 2003, respectively, and approximately $8.5 million of additional revenue was recognized in the quarter ended December 31, 2002. In addition, costs of service was reduced by approximately $0.9 million and $1.1 million in the quarters ended September 30, 2002 and March 31, 2003, respectively, and increased by $0.2 million in the quarter ended December 31, 2002.

Accruals

During fiscal 2003, we recorded accrued liabilities for our fringe benefits based on cost factors associated with projected labor hours. During fiscal 2003, we did not adjust the accrual as assumptions were revised. As a result, adjustments related to correct the calculated fringe benefit accruals of approximately $0.8 million and $4.9 million reduced costs of service for the quarters ended September 30, 2002 and December 31, 2002, respectively, and increased costs of service by approximately $0.4 million for the quarter ended March 31, 2003.

In connection with an increase in its deductible for its professional indemnity insurance, the Company established an accrued liability of $2.2 million during the quarter ended March 31, 2003. This accrued liability was determined to be unwarranted and was therefore reversed, resulting in a reduction to selling, general and administrative expenses.

During the first quarter of fiscal year 2003, the Company completed a number of business acquisitions. At the end of the first post-transaction fiscal reporting period (the quarter ended September 30, 2002), certain of the entities were not able to close their books on a timely basis for U.S. public reporting purposes. As a result, the Company, in an effort to conform to a fiscal year convention, recorded an estimated month income statement and a net asset or liability account on the balance sheet for those entities. The Company has restated the respective quarters on a conforming fiscal period end, and has eliminated the effect of the estimated month . The Company reduced revenue by $12.5 million and $4.5 million for the quarters ended September 30, 2002 and December 31, 2002, respectively, and increased revenue by $2.5 million for the quarter ended March 31, 2003; decreased costs of service by $10.5 million and $1.4 million for the quarters ended September 30, 2002 and December 31, 2002, respectively, and increased costs of service by $4.0 million for the quarter ended March 31, 2003; reduced selling, general and administrative expenses by $1.3 million and $0.6 million for the quarters ended September 30, 2002 and March 31, 2003, respectively, and increased selling, general and administrative expenses by $0.4 million for the quarter ended December 31, 2002.

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Stock awards and shareholders notes

The Company initially accounted for certain stock awards in prior years as fixed plan grants, with related payments to the respective employees for tax liabilities accounted for as interest-bearing shareholder notes. The initial accounting has been revised to treat the awards as a variable grant. The revision did not have a material impact on the statements of operations for any prior periods and therefore prior years financial statements have not been restated. Instead, the aggregate effect of the revised accounting has been reflected as adjustments to additional paid in capital, retained earnings (accumulated deficit) and notes receivable from stockholders as of July 1, 2002. In addition, under the revised accounting, reserves recorded against the shareholder notes during the quarters ended September 30, 2002, December 31, 2002, and March 31, 2003 are not necessary and have been reversed decreasing selling, general and administrative expenses by approximately $1.5 million, $2.3 million and $2.3 million for the quarters ended September 30, 2002, December 31, 2002, and March 31, 2003, respectively.

Other adjustments impacting net income

Other adjustments recorded that were identified through both timely quarterly reviews as well as during the year-end closing process and ordinary course of the audit. These adjustments were not material either individually or in the aggregate to income before taxes.

Reclassifications not impacting net income

Statement of operations reclassification adjustments were identified through both timely quarterly reviews as well as during the year-end closing process and ordinary course of the audit. The reclassifications are being made to conform the amounts previously reported to the restated presentations. These reclassifications do not impact net income.

The following table outlines the effects of the aforementioned adjustments for the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003.

Statement of Operations:

	Three Months Ended September 30, 2002		**Three Months Ended December 31, 2002**		**Three Months Ended March 31, 2003**	
	Amounts Previously Reported	**As Restated**	**Amounts Previously Reported**	**As Restated**	**Amounts Previously Reported**	**As Restated**
Revenue	$ 747,560	$ 732,699	$ 807,911	$ 807,573	$ 821,325	$ 818,870
Cost of service	573,601	562,631	609,194	609,307	636,902	644,222
Gross Profit	173,959	170,068	198,717	198,266	184,423	174,648
Amortization of purchased intangible assets	5,034	8,013	7,085	11,321	7,782	12,396
Selling, general and administrative expenses	137,160	133,771	155,491	149,810	146,406	141,526

Operating income	31,765	28,284	36,141	37,135	30,235	20,726
Interest/other (income) expense, net	1,097	1,456	3,031	3,159	5,945	6,014
Income before taxes	30,668	26,828	33,110	33,976	24,290	14,712
Income tax expense	15,487	14,517	16,721	19,427	11,902	10,571
Net income	$ 15,181	$ 12,311	$ 16,389	$ 14,549	$ 12,388	$ 4,141
Basic net income per share	$ 0.09	$ 0.07	$ 0.09	$ 0.08	$ 0.06	$ 0.02
Diluted net income per share	$ 0.09	$ 0.07	$ 0.09	$ 0.08	$ 0.06	$ 0.02

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The following table presents unaudited quarterly financial information for each of the last eight quarters. In management s opinion, the quarterly information contains all adjustments necessary to fairly present such information. As a professional services organization, the Company anticipates and responds to service demands from its clients. Accordingly, the Company has limited control over the timing and circumstances under which its services are provided. Therefore, the Company may experience variability in its operating results from quarter to quarter. The operating results for any quarter are not necessarily indicative of the results for any future period.

	June 30, 2003	Mar. 31, 2003	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002	Mar. 31, 2002	Dec. 31, 2001	Sept. 30, 2001
		(as restated)	(as restated)	(as restated)				
	(in thousands, except share and per share amounts)							
Revenue	$ 780,135	$ 818,870	$ 807,573	$ 732,699	$ 583,213	$ 582,305	$ 593,218	$ 608,891
Costs of service	607,846	644,222	609,307	562,631	442,777	418,782	460,289	444,927
Gross profit	172,289	174,648	198,266	170,068	140,436	163,523	132,929	163,964
Amortization of purchased intangible assets	12,972	12,396	11,321	8,013	1,004	1,005	1,005	
Selling, general and administrative expenses	130,990	141,526	149,810	133,771	118,646	112,990	113,985	119,185
Operating income	28,327	20,726	37,135	28,284	20,786	49,528	17,939	44,779
Interest / other (income) expense, net	4,777	6,014	3,159	1,456	(2,006)	54	(202)	600
Income before taxes	23,550	14,712	33,976	26,828	22,792	49,474	18,141	44,179
Income tax expense	13,244	10,571	19,427	14,517	22,388	25,726	11,547	21,863
Income before cumulative effect of change in accounting principle	10,306	4,141	14,549	12,311	404	23,748	6,594	22,316
Cumulative effect of change in accounting principle, net of tax								(79,960)
Net income (loss)	$ 10,306	$ 4,141	$ 14,549	$ 12,311	$ 404	$ 23,748	$ 6,594	$ (57,644)
Net income (loss) per share basic and diluted*	$ 0.05	$ 0.02	$ 0.08	$ 0.07	$	$ 0.15	$ 0.04	$ (0.36)
Stock Price								
High	$ 10.68	$ 8.24	$ 9.02	$ 13.58	$ 21.17	$ 21.07	$ 18.40	$ 15.40
Low	$ 5.98	$ 5.93	$ 5.32	$ 6.24	$ 13.11	$ 15.84	$ 11.00	$ 9.41

* Three months ended September 30, 2001 includes a $0.51 loss for the cumulative effect of change in accounting principle.

Liquidity and Capital Resources

At June 30, 2003, the Company had a cash balance of $105.2 million, which has decreased $98.4 million from June 30, 2002, predominantly due to funding various acquisitions around the globe. The Company has funded these transactions and operations through cash generated from operations, borrowings from existing credit facilities of $57.2 million, the private placement of $220.0 million in aggregate principal of Senior Notes and the issuance of 30.5 million shares of common stock valued at $11.96 per share. The Company has borrowing arrangements available including a revolving credit facility with an outstanding balance of $31.5 million at June 30, 2003 (not to exceed $250 million), and an accounts receivable financing facility with no outstanding balance at June 30, 2003 (not to exceed $150 million). The $250 million revolving credit facility expires on May 29, 2005, and no borrowings under this facility are due until that time; however, management may choose to repay these borrowings at any time prior to that date. The accounts receivable purchase agreement permits sales of accounts receivable through May 21, 2004, subject to annual renewal. The accounts receivable purchase agreement is accounted for as a financing transaction; accordingly, it is not an off-balance sheet financing arrangement.

In November 2002, the Company completed a private placement of $220.0 million in aggregate principal of Senior Notes. The offering consisted of $29.0 million of 5.95% Series A Senior Notes due November 2005, $46.0 million of 6.43% Series B Senior Notes due November 2006, and $145.0 million of 6.71% Series C Senior Notes due November 2007. The Senior Notes include affirmative, negative and financial covenants, including among others, covenants restricting the Company s ability to incur liens and indebtedness and purchase the Company s securities, and requiring the Company to maintain a minimum level of net worth ($847.3 million as of June 30, 2003), maintain fixed charge coverage of at least 2.00 to 1.00 (as defined), and maintain a leverage ratio not to exceed 2.50 to 1.00 (as defined). We are in compliance with the financial ratios, covenants and other restrictions imposed by the Senior Notes. The Senior Notes contain customary events of default, including cross defaults to the Company s revolving credit facility and receivables purchase facility. The proceeds from the sale of these Senior Notes were used to completely repay the Company s short-term revolving credit facility of $220.0 million, which was scheduled to mature on December 15, 2002.

The $250 million revolving credit facility includes affirmative, negative and financial covenants, including, among others, covenants restricting the Company s ability to incur liens and indebtedness, purchase the Company s securities, and pay dividends and requiring the Company to maintain a minimum level of net worth ($869.6 million as of June 30, 2003), maintain fixed charge coverage of at least 1.25 to 1.00 (as defined) and maintain a leverage ratio not to exceed 2.50 to 1.00 (as defined). We are in compliance with the financial ratios, covenants and other restrictions imposed by this credit facility. The credit facility contains customary events of default and a default (i) upon the acquisition by a person or group of beneficial ownership of 30% or more of the Company s common stock, or (ii) if within a period of six calendar months, a majority of the officers of the Company s executive committee cease to serve on its executive committee, and their terminations or departures materially affect the Company s business. The receivables purchase agreement contains covenants that are consistent with the Company s $250 million revolving credit facility and cross defaults to the $250 million revolving credit facility.

Cash provided by operating activities during the fiscal year ended June 30, 2003 was $154.0 million, principally due to cash operating results of $149.8 million (which consists of net income adjusted for the changes in deferred income taxes, stock awards and depreciation and amortization) and a net change in working capital items of $4.1 million.

Cash used in investing activities during the fiscal year ended June 30, 2003 was $548.3 million, principally due to $126.1 million in purchases of property and equipment (including $32.4 million for the transfer of capital assets from KPMG LLP), and $422.2 million paid for acquisitions and other transactions. Purchases of property and equipment include purchases of internal-use software as part of our continued infrastructure build out.

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Cash provided by financing activities for the fiscal year ended June 30, 2003 was $293.5 million, principally due to net proceeds from borrowings of $266.5 million and $26.9 million from the issuance of common stock primarily relating to the Company s employee stock purchase plan.

The Company continues to actively manage client billings and collections and maintain tight controls over discretionary expenses. The Company believes that the cash provided from operations, borrowings available under the various existing credit facilities, and existing cash balances will be sufficient to meet working capital and capital expenditure needs for at least the next 12 months. The Company also believes that it will generate enough cash from operations, have sufficient borrowing capacity under the various existing credit facilities (including the $250 million revolving credit facility with a current term ending May 29, 2005) and have sufficient access to the capital markets to meet its long-term liquidity needs.

Under the transition services agreement with KPMG LLP (which generally terminates no later than February 8, 2004 for non-technology services and February 8, 2005 for technology-related services), the Company contracted to receive certain infrastructure support services from KPMG LLP until the Company completes the build-out of its own infrastructure. If the Company terminates services prior to the end of the term for such services, the Company may be obligated to pay KPMG LLP termination costs, as defined in the transition services agreement, incurred as a result of KPMG LLP winding down and terminating such services. KPMG LLP and the Company have agreed that during the term of the transition services agreement the parties will work together to minimize any termination costs (including transitioning personnel and contracts from KPMG LLP to our Company), and the Company will wind down its receipt of services from KPMG LLP and develop its own internal infrastructure and support capabilities or seek third party providers of such services. During fiscal year 2002, the Company and KPMG LLP agreed that the Company would terminate certain services relating to human resources, training, purchasing, facilities management and knowledge management. Termination costs associated with these services paid by the Company to KPMG LLP in fiscal year 2002 were $1.0 million. Under the transition services agreement and separate agreements, the Company continues to receive from KPMG LLP services relating to information technology (such as telecommunications and user services), financial systems, human resource systems, occupancy and office support services in facilities used by both the Company and KPMG LLP, and financing of capital assets used in the provisioning of transition services. In August 2002, the Company and KPMG LLP reached a settlement relating to a dispute about the determination of costs under the transition services agreement, resulting in KPMG LLP paying the Company $8.4 million. During the year ended June 30, 2003, the Company terminated certain human resources services for which the Company has been charged $1.1 million in termination costs. During fiscal year 2003, the Company also recovered $2.1 million as a result of its audit of KPMG LLP s charges for fiscal year 2002 and related adjustments of the charges for fiscal year 2003. Effective October 1, 2002, the Company and KPMG LLP entered into an Outsourcing Services Agreement under which KPMG LLP provides certain services relating to office space that were previously provided under the transition services agreement. The services will be provided for three years at a cost that is less than the cost for comparable services under the transition services agreement. Additionally, KPMG LLP has agreed that for all services terminated as of December 31, 2002 under the transition services agreement the Company will not be charged any termination costs, in addition to the $1.0 million paid in fiscal year 2002, and that there will be no termination costs with respect to the office-related services at the end of the three-year term of the Outsourcing Services Agreement. At this time there are no terminated services for which termination costs remain unknown. The amount of termination costs that the Company will pay to KPMG LLP depends upon the timing of service terminations, the ability of the parties to work together to minimize the costs, and the amount of payments required under existing contracts with third parties for services provided to the Company by KPMG LLP and which can continue to be obtained directly by the Company thereafter. The amount of termination costs that the Company will pay to KPMG LLP under the transition services agreement with respect to services that are terminated after June 30, 2003 cannot be reasonably estimated at this time. Whether the amount of termination costs yet to be assessed will not have a material adverse effect on the Company s consolidated financial position, cash flows, or liquidity in a particular quarter or fiscal year cannot be determined at this time.

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During the fiscal year ended June 30, 2003, the Company purchased from KPMG LLP $32.4 million of leasehold improvements. Based on information currently available, the Company anticipates paying KPMG LLP approximately $40.0 million to $60.0 million for the sale and transfer of additional capital assets (such as computer equipment, furniture and leasehold improvements). Currently the Company contracts for the use of such capital assets through the transition services agreement (for which usage charges are included in the monthly costs under the agreement).

Obligations and Commitments

As of June 30, 2003, the Company had the following obligations and commitments to make future payments under contracts, contractual obligations and commercial commitments:

		Payment due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
			(in thousands)		
Long-term debt	$ 277,176	$ 8,364	$ 77,812	$ 191,000	
Operating leases	416,095	69,998	117,035	88,606	140,456
Outsourcing services agreement	26,162	12,100	14,062		
Restructuring liability	22,073	22,073			

Recently Issued Accounting Pronouncements

In November 2002, the Emerging Issues Task Force (EITF) issued a final consensus on Issue 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, which addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. Issue 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. Companies may also elect to apply the provisions of Issue 00-21 to existing arrangements and record the income statement impact as the cumulative effect of a change in accounting principle. The Company currently intends to adopt Issue 00-21 prospectively for contracts beginning after June 30, 2003. The Company does not believe Issue 00-21 will have a material impact on its results of operations, financial position, and cash flows.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 will not have a material impact on its results of operations, financial position, and cash flows.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 is effective for instruments entered into or modified after May 31, 2003 and is otherwise effective for our first quarter of fiscal year 2004. The adoption of SFAS No. 150 will not have a material impact on the Company s results of operations, financial position, and cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary if the entity does not effectively disperse risk among the parties involved. The provisions of FIN 46 are effective immediately for those variable interest entities created after January 31, 2003. The provisions are effective for our first quarter of fiscal year 2004 for those variable interests held prior to February 1, 2003. The Company does not currently have any variable interest entities as defined in FIN 46. Consequently, the adoption of FIN 46 will have no material impact on the Company s results of operations, financial position, and cash flows.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this report constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements relate to our operations that are based on our current expectations, estimates and projections. Words such as may, will, could, would, should, anticipate, predict, potential, continue, expects, intends, plans, projects, believe expressions are used to identify these forward-looking statements. These statements are only predictions and as such are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events or our future financial performance that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. As a result, these statements speak only as of the date they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Our actual results may differ from the forward-looking statements for many reasons, including:

- any continuation of the global economic downturn and challenging economic conditions;
- the business decisions of our clients regarding the use of our services;
- the timing of projects and their termination;
- the availability of talented professionals to provide our services;
- the pace of technological change;
- the strength of our joint marketing relationships;
- the actions of our competitors;
- unexpected difficulties with the Company s global initiatives and transactions (such as the acquisition of BearingPoint GmbH), including rationalization of assets and personnel and managing or integrating the related assets, personnel or businesses;
- changes in spending policies or budget priorities of the U.S. Government, particularly the Department of Defense, in light of the large U.S. budget deficit; and
- our inability to use losses in some of our foreign subsidiaries to offset earnings in the U.S.

In addition, our results and forward-looking statements could be affected by general domestic and international economic and political conditions, uncertainty as to the future direction of the economy and vulnerability of the economy to domestic or international incidents, as well as market conditions in our industry. For a more detailed discussion of certain of these factors, see Exhibit 99.1, Factors Affecting Future

Financial Results, to this Form 10-K. We caution the reader that the factors we have identified above may not be exhaustive. We operate in a continually changing business environment, and new factors that may affect our forward-looking statements emerge from time to time. Management cannot predict such new factors, nor can it assess the impact, if any, of such new factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those implied by any forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our market sensitive financial instruments include fixed and variable interest rate U.S. dollar denominated debt and variable rate Japanese yen denominated debt. For additional information refer to Note 7, Notes Payable, of the Notes to Consolidated Financial Statements. The use of derivative financial instruments has been limited to treasury lock instruments, which were entered in order to secure the interest rate of our private placement senior notes. All treasury lock instruments have been settled as of June 30, 2003.

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The table below provides information relating to the Company s market sensitive financial instruments:

	Expected Maturity Date Year ended June 30, (In thousands U.S. Dollars, except interest rates)						
	2004	2005	2006	2007	2008	Total	Estimated Fair Value
Interest Rate Risk							
Japanese Yen Functional Currency							
Third party Yen denominated debt variable rate	8,364	8,364	8,314			25,042	25,042
Average interest rate	1.5%	1.5%	1.5%			1.5%	
U.S. Dollar Functional Currency							
Third party Structured notes fixed rate			29,000	46,000	145,000	220,000	239,671
Average interest rate			2.6%	3.0%	3.5%	3.3%	
U.S. Dollar Functional Currency							
Third party revolving credit facility variable rate		31,511				31,511	31,511
Average interest rate		2.9%				2.9%	

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Item 8. Financial Statements and Supplementary Data

MANAGEMENT S REPORT ON FINANCIAL STATEMENTS

The management of BearingPoint, Inc. is responsible for the preparation and fair presentation of the financial statements and other related financial information published in this Annual Report on Form 10-K. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were necessarily based in part on reasonable estimates and judgments giving due consideration to materiality. To the best of our knowledge and belief, the information contained in this Annual Report on Form 10-K is true and accurate in all material respects.

The management of the Company is also responsible for maintaining an effective system of internal accounting controls. This system is designed to provide reasonable assurance that assets are adequately safeguarded and financial records accurately reflect all transactions and can be relied upon in all material respects in the preparation of financial statements.

The Audit Committee is responsible to the Board of Directors for reviewing the financial controls and accounting and reporting practices, and for appointing the independent auditors. The Audit Committee meets periodically with representatives of the independent auditors with and without the Company s management being present.

/s/ RANDOLPH C. BLAZER

Randolph C. Blazer

Chairman of the Board, Chief Executive Officer and President

/s/ ROBERT S. FALCONE

Robert S. Falcone

Executive Vice President and Chief Financial Officer

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders

of BearingPoint, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, changes in stockholders equity and cash flows present fairly, in all material respects, the financial position of BearingPoint, Inc. and its subsidiaries (the Company) at June 30, 2003, and the results of their operations and their cash flows for the year ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Company as of June 30, 2002 and for the two year period then ended were audited by other auditors whose report dated August 6, 2002, except for Note 2, under the subheading Stock-Based Compensation, as to which the date is September 29, 2003, expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP

McLean, Virginia

September 18, 2003

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders

BearingPoint, Inc.

We have audited the accompanying consolidated balance sheet of BearingPoint, Inc. (formerly KPMG Consulting, Inc.) as of June 30, 2002, and the related consolidated statements of operations, changes in stockholders equity (deficit) and cash flows for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of management of BearingPoint, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In Note 2 of the Consolidated Financial Statements, the Company has restated its 2002 and 2001 proforma net loss and loss per share disclosures required by SFAS No. 123, Accounting for Stock-Based Compensation .

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BearingPoint, Inc. as of June 30, 2002, and the consolidated results of operations, changes in stockholders equity (deficit) and cash flows for the years ended June 30, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 of the notes to the Consolidated Financial Statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142) on July 1, 2001.

GRANT THORNTON, LLP

New York, New York

August 6, 2002 except for

Note 2, under the subheading Stock-Based Compensation ,

as to which the date is September 29, 2003

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BEARINGPOINT, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	June 30, 2003	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 105,198	$ 203,597
Accounts receivable, net of allowances of $18,727 at June 30, 2003 and $28,645 at June 30, 2002	377,422	246,792
Unbilled revenue	190,918	128,883
Deferred income taxes	36,195	27,390
Prepaid expenses	30,932	18,743
Other current assets	20,187	21,808