GETTING SMARTER BY THE DAY

Annual Report 2018

ICT | GROUP


SMARTER INDUSTRIES
SMARTER CITIES
SMARTER HEALTH

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COMPANY PROFILE

OUR SERVICES

ICT Group is a leading industrial technology solutions and services provider. The solutions we offer our clients involve **software development** (according to customer specifications as well as proprietary solutions), **solutions on project basis, the secondment of experienced and highly educated staff as well as services to maintain IT systems.**

OUR MISSION

MAKING THE WORLD A LITTLE SMARTER EVERY DAY

Technology based-innovations are critical for the competitive edge of our customers; **getting smarter every day in every product, process or application.** Our specific industry knowledge enables us to link people, technology and ideas. With over 1250 dedicated technical professionals in the field, we are capable of translating new and innovative technologies into relevant business solutions, enriched with state-of-the-art technologies.

OUR MARKETS

Within our focus areas **Smarter Cities, Smarter Industries and Smarter Health** we serve the following key industries: Transport & Logistics, Automotive & Mobility, Energy, Oil & Gas, Water & Infrastructure, Healthcare, Food, Chemicals & Pharma, Manufacturing and High Technology.

ICT is globally active and operates from several locations in the Netherlands, Belgium, Bulgaria and Germany.

HIGHLIGHTS 2018

REVENUE
129.9 million
▲24% 2017
6% organic grow

EBITDA (Underlying)
14.2 million
▲19% 2017

EBITDA MARGIN (Underlying)
11.0%
▼-40 bps 2017

NET PROFIT
9.4 million
▲80% 2017

NET PROFIT PER SHARE
€ 0.99
▲77% 2017

DIVIDEND PER SHARE
€ 0.38
▲9% 2017

FTEs 31 DECEMBER
1,227
▲24% 2017

REVENUE PER FTE
€ 114,510
▲5% 2017

FINANCIAL HIGHLIGHTS 2018

(x € 1,000)	2018	2017
Revenue	**129.9**	**105.0**
Added value (Revenue minus cost of materials and subcontractors)	114.2	93.4
Underlying EBITDA [1)]	14.2	12.0
EBITDA	13.5	12.0
Amortisation / depreciation	5.0	3.6
Operating profit	8.5	8.4
Result before taxes	11.6	7.5
Income tax expense	(2.1)	(1.9)
Net profit	9.5	5.6
Non-controlling interests	(0.1)	(0.4)
Net profit [2)]	9.4	5.2
Net cash flow from operating activities	11.1	7.9
Personnel		
Headcount as at 31 December	1,274	1,032
FTE as at 31 December	1,227	990
Average number of FTEs	1,134	966
Consolidated balance sheet information		
Shareholders' equity	54.2	47.7
Total equity and liabilities	95.6	81.6
Ratios		
EBITDA / revenue	10.4%	11.4%
Underlying EBITDA [1)] / revenue	11.0%	11.4%
Net profit [2)] / revenue	7.2%	5.0%
Net profit [2)] / average shareholders' equity	18.4%	11.4%
Solvency (Shareholders' equity / total assets)	56.7%	58.4%
Information per share of a nominal value of 0.10 (in €)		
Net profit [3)]	0.99	0.56
Shareholders' equity [4)]	5.73	5.06
Dividend [4), 5)]	0.38	0.35

1) Excluding one-off costs related to the contract termination fees at InTraffic (€ 0.8 million).
2) The net profit (loss) attributable to the shareholders of ICT Group N.V. 2018 includes one-off accounting gains of € 4.1 million related to the acquisition of the remaining 50% stake in InTraffic (€ 3.5 million) and the revaluation of ICT's stake in GreenFlux (€ 0.6 million).
3) Based on the average number of issued shares.
4) Based on number of issued shares at year end.
5) Shareholders will be offered the option: cash or shares.

MESSAGE FROM THE CEO

In 2018 we celebrated our 40th anniversary. Forty years of passion for technology and our customers, while at the same time challenging ourselves to stay innovative. Throughout the years we have come to mean more and more to our customers and have grown into leaders in our core markets.

I am proud of our projects and technological solutions that help make the world a little bit 'smarter' every day. But above all I am proud of the over 1,250 techies who make a difference for our customers by combining their expertise and specialist knowledge of the industry. This combination gives us a unique position in the market. And needless to say that we continue to develop: 40 years old and still learning!

Healthy profitable growth

2018 was another year of revenue and profit growth. In addition to organic growth of 6%, mainly due to favourable developments in the Netherlands, ICT also grew as a result of acquisitions in 2018. Our underlying EBITDA margin of 11% and revenue of € 129.9 million show we are delivering on the profitability and healthy growth we promised.

Strengthening Smarter Cities

2018 began with the completion of our acquisition of NedMobiel. In March 2018 we purchased the remaining 50% stake in InTraffic from our former joint venture partner, meaning that InTraffic is now 100% part of ICT. These acquisitions have enabled us to clearly strengthen our position in Smarter Cities – a domain we strongly believe in given all the mobility challenges facing the world – and to further expand our consultancy activities.

Proprietary software to fuel Digital Transformation

The establishment of OrangeNXT in 2018 has helped us take an important step towards also using our specific knowledge and expertise for the development of our own, proprietary, software. Marketing this Software as a Service is an important strategic spearhead for ICT. OrangeNXT combines our expertise in every relevant domain – e.g. Industrial IoT, Artificial Intelligence, Machine Learning and mobile workforce automation. We use the state-of-the-art solutions created by OrangeNXT to support our customers in their digital transformation. Digital transformation is a key driver of change, both in day-to-day life and in our production environments, and a development that the government and companies alike are focusing on. One that calls for precisely what we are good at: connecting people, devices and data.

Motar – responding to the emergence of low coding

Software is becoming a growing part of virtually every product and machine. One development in response to this is low coding: the creation of software code in a largely automated way. That means developing software by modelling instead of coding, resulting in fewer mistakes, lower costs and a quicker time-to-market. With Motar, ICT is responding to this development in areas including the high-tech and automotive industries.

Challenging labour market

Recruiting enough suitable staff is something that has been and continues to be a challenge. In 2018 we were able to attract more people than ever. We are making better use of social media and other tools to show the kinds of challenging projects you can be part of at ICT. And this has proved to be successful because interesting projects are exactly what attracts professionals with a passion for technology. It is also helping us reach international professionals better, a target group that is becoming increasingly important in our recruitment activities. Already half of all new employees are not Dutch. The influx of young global thinkers provides a better staffing balance for us to serve our international customers. At the same time we have been able to limit the outflow of staff.

Attractive projects

ICT generates an increasing part of its revenue from projects. In 2018 we once again developed many groundbreaking solutions for and with customers. Using the asphalt damage recognition solution we created for BAM Infra we have developed a new product in co-creation with BAM that we plan to roll out in the coming years. This is a great example not only of us working together with traditional partners

“Throughout the years we have come to mean more and more to our customers and have grown into leaders in our core markets.”

but also of a customer becoming a business partner. Another project that has a major impact is the Zuidasdok project aimed at redeveloping the Zuidas business district of Amsterdam. We have been involved in this project since early in the design phase. Our Smarter Cities / multi-domain expertise is put to best use tackling the complexity of projects like these. ICT Netherlands is not our only company that is developing by increasingly taking full control of projects; our training and testing subsidiary Improve Quality Services is also showing this changing business behaviour. Improve Quality Services and ICT Netherlands have developed the ASML Academy and, in doing so, are responsible for the onboarding process for developers at ASML. New recruits are taken through every aspect of their new work environment in 12 weeks. This takes place at three locations around the world: Eindhoven (the Netherlands), Wilton (NY, USA) and San Diego (CA, USA).

Develop the Future

During the Capital Markets Day in November, the first ever in ICT's history, we presented our new strategic roadmap for 2022: 'Develop the Future'. Our strategic review confirmed that we are operating in a healthy growth market with our focus on Operational Technology, with international expansion being an important element of our future growth strategy. International expansion will be focused on northern European countries. Furthermore we are using OrangeNXT to target high-growth market segments. And our Software as a Service solutions are helping our customers leverage all the possibilities provided by digital transformation. To be able to deal with the growing shortage of professionals we are also focused on further expanding our nearshoring facilities A new strategy calls for new objectives. In 2022 we want to achieve annual revenue of € 200 - € 230 million with a stable EBITDA margin (10 - 12%), both through organic growth (of at least 5%) and acquisitions.

People

Our ability to achieve our objectives depends on our largest critical success factor – our people. I am extremely grateful for the dedication and contribution of our employees this past year. Our customers have entrusted us with interesting – often business-critical – projects for 40 years now, projects in which the relationship increasingly evolves into a partnership. We look forward to continuing to execute our strategic roadmap with them and our ever growing number of professionals. After all, the next 40 years will also be an exciting time to keep making the world a little bit smarter.

Jos Blejie
CEO ICT GROUP

SHAREHOLDER INFORMATION

General

ICT Group N.V. (ICT) is listed on the official market of the NYSE Euronext Amsterdam N.V. Stock Exchange (ICT.AS) since 1997. The nominal value per share amounts to € 0.10. On 31 December 2018, the number of issued ordinary ICT Group N.V. shares amounted to 9,463,878 (2017: 9,411,301).

Major shareholders

Under the requirements for disclosing control and participation interests, any holdings in a company's issued share capital of 3% or more must be reported to the Netherlands Authority for the Financial Markets (AFM). As far as ICT is aware and on the basis of the AFM's Disclosure of Major Holdings in Listed Companies Act [Wet melding zeggenschap (Wmz)] register, the following investors have a holding of 3% or more in ICT.

Shareholders	participation in %	Date of last report
Teslin Participaties Coöperatief U.A.	15.05	24-7-2018
FMR LLC	9.63	1-1-2016
J.H. Langendoen	5.49	24-5-2013
Invesco Limited	5.39	21-3-2016
Navitas B.V.	5.26	1-11-2006
Mavawe B.V.	5.14	16-2-2015
P.C. Van Leeuwen	5.04	21-9-2018
Decico B.V.	5.01	1-11-2006
A.J.H. Quellhorst	4.25	3-10-2017
Lazard Frères Gestion SAS	3.53	16-4-2014

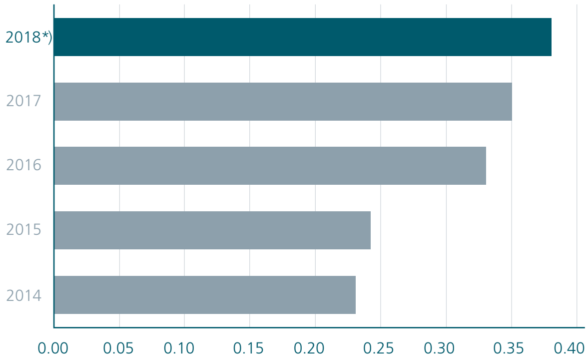
The share in 2018	2018	2017	2016	2015	2014
Highest share price	17.05	14.30	10.86	8.80	6.05
Lowest share price	10.00	9.92	7.50	5.74	4.62
Share price as at 31 December	10.45	13.48	10.25	8.40	5.81
Dividend as % of the share price as at 31 December *)	3.64	2.60	3.22	2.86	3.96
Price / earnings ratio (end financial year)	10.56	24.07	18.30	20.49	10.38
Market capitalization as at 31 December (x € 1 million)	98.9	126.9	95.2	73.5	50.8

*) 2018: based on the proposed dividend

Dividend policy

ICT has a transparent dividend policy. The company aims to pay out 40% of its net profit as dividend. The other 60% is added to the retained earnings. ICT uses this retained profit to finance further growth.

Historical dividend per share



*) proposed dividend

Investor relations

ICT pursues an open information policy towards investors and other parties with a (financial) interest in the company. This is aimed at providing them with clear and timely information on the company's strategy, the current developments relating to the company and the markets in which it operates.

ICT organizes meetings with (major) shareholders, analysts and the media for the presentation and explanation of the annual and interim results. ICT observes a 'closed' period duri ng which no discussions are held with investors and analysts. This pertains to a 2 months' period prior to the publication of the yearly results and a three-week period prior to the publication of the quarterly and half yearly results.

In the course of the year and outside the closed periods, members of the Executive Board regularly have one-on-one meetings with major shareholders and institutional investors.

The company website www.ict.nl provides relevant information (press releases, financial data) for investors.

Prevention misuse of insider information

ICT has rules governing the reporting of transactions involving ICT Group N.V. securities by its Supervisory Board, Executive Board and other appointed persons, including staff, the management and a number of permanent advisors. ICT has also appointed a compliance officer, who is responsible for supervising compliance with the rules and regulations, and communication with the Dutch Financial Markets Authority.

Financial calendar 2019

01 March 2019	Publication annual results 2018
24 April 2019	Trading update first quarter 2019
15 May 2019	General Meeting
21 August 2019	Publication of first half year results 2019 and analyst meeting
30 October 2019	Trading update third quarter

Financial calendar 2020

28 February 2020	Publication annual results 2019
22 April 2020	Trading update first quarter 2020
13 May 2020	General Meeting
19 August 2020	Publication of first half year results 2020 and analyst meeting
28 October 2020	Trading update third quarter

STRATEGY AND VALUE CREATION

EVOLVING INTO A EUROPEAN TECHNOLOGY SOLUTIONS PROVIDER – WHILE MAKING THE WORLD A LITTLE SMARTER EVERY DAY

Digital Transformation is set to significantly impact the way we live and do business in the next decade. It offers huge potential to make the world much smarter, and ICT is committed to playing its part in making the world a little smarter every day.

Data is at the core of much of this change. It is the fuel for many groundbreaking technologies, such as cloud computing and the ability to add processing power on demand. Limitations are no longer in place.

The internet of things is another important evolution in data collection and presents exciting opportunities for transformative business growth. The mandate for the future is that anything that can be connected, will be connected. Many databases and technologies will have to be integrated and connected. As new technologies push forward, there is going to be a need for convergence. Blockchain technology will become a backbone technology, serving as the base system for a lot of other industries. All of these factors are driving digital transformation.

ICT puts digital transformation at the heart of its new business development activities for all industries. We are convinced that digital transformation will be the key driver in taking our sustainable innovations to the next level. Leaning on its proven track record, ICT is uniquely positioned to increasingly capitalise on its multi-domain expertise and in-depth industry knowledge, as well as its ability to integrate these strengths into a compelling technology solution in the ongoing development of in-house (proprietary) solutions. ICT has combined its promising software solutions in OrangeNXT to help its customers reap the full benefits that digital transformation has to offer. These solutions are provided in an 'as a service' model, providing transparency for the customer and recurring revenue for ICT. This is an important step in our strategic roadmap to becoming a sizeable European technology solutions provider with a reputation to match.

ICT has clearly identified the areas in which its range of expertise has the highest impact and where its proffered solutions provide the highest added value for customers. This focus enables us to further enhance our technological expertise and innovative capabilities in the following areas:

Smarter Industries

ICT provides embedded solutions for its customers, helping them to bring their new machine, robot or car to market. At the same time ICT helps to create intelligent manufacturing technology solutions, supporting the digital transformation and ongoing industrial robotisation. This enables a more efficient use of natural resources and helps to reduce waste materials, which in turn increases the sustainable and economic use of natural resources.

In the past operations were automated along complex pathways, somewhat comparable to physically duct-taping parts together to get a machine to work. The systems were not fully integrated. ICT Group provides innovative integrated solutions that connect all the links in the chain, ensuring proper communication between the different components. These solutions include intelligent sensors, machine-to-machine communication, advanced process control, robotisation, manufacturing execution and intelligence, and big data analytics. ICT is a leader in this field due to its ability to connect parties in the market, creating the scale and scope for sustainable and future-proof innovation.

ICT distinguishes two segments within smarter industries: Engineering R&D solutions aimed at the automotive, manufacturing and high-tech industries, and Industrial Automation solutions focused on the food, chemicals & pharma, offshore and logistics industries.

Smarter Cities

ICT wants to enhance the quality and performance of urban services, which generally goes hand in hand with reducing costs and resource consumption. ICT's solutions enable cities to handle the complexity of population growth as a result of ongoing urbanisation. Urban density is expected to rise massively in the coming years. Cities facing increasing challenges in the field of water, energy, mobility, waste and the environment. These challenges call for smarter cities in which people, authorities, companies, machines and even products are connected to one another, exchanging information and interacting in real time. ICT provides solutions to meet these challenges by providing smart software solutions that enable fast, affordable and safe connections within and between infrastructural, logistical and distribution networks. Connections that ensure that the right information is available at the right place and the right time for citizens, companies and managers alike, enabling optimal coordination of all urban flows. One specific development will be a game changer in the future: Mobility as a Service. MaaS is all about data-driven mobility solutions that meet individual needs through smart devices. It has the potential to move more people and goods in a way that is faster, cleaner and less expensive than current methods.

Smarter Health

ICT has developed software solutions that enhance the exchange of data in the healthcare sector, enabling synoptic reporting and faster and more qualitative diagnosis to increase efficiency and quality throughout the sector.

These solutions, for instance in the field of pregnancy monitoring, not only reduce costs but also increase comfort and safety for patients and leverage available medical resources.

HOW DO WE EXECUTE OUR STRATEGY?

Buy and build

ICT's growth strategy is geared towards being a leading European technology solutions provider in defined markets. ICT pursues growth opportunities both organically and through acquisitions for the purpose of expanding its current distinctive niche position. Acquisitions play an integral part in increasing scale and enhancing knowledge in specific areas. International expansion focused on the northern part of Europe is also an increasingly important element in ICT's growth strategy. One of the main criteria in ICT's acquisition strategy is that there has to be a cultural fit and mutual respect for knowledge, skills and working methods.

Increasing the offering of replicable and scalable solutions in which ICT takes full integral project responsibility is a major organic growth driver. Its strong nearshoring capabilities provide an efficient execution platform for its project-based business. ICT's ability to recruit and retain the right people is critical for organic growth. In the battle for new talent, a possibility is acquiring smaller companies operating in the same geography and / or the same industrial environment.

To evolve into a technology solutions provider ICT needs to combine its time hire and project activities with the development and sale of proprietary solutions. In order to increase the company's resilience ICT wants to balance its revenue streams (time hire, project revenue and recurring software revenue) equally and move up the value chain. The company is doing so by expanding its consultancy activities, through the acquisitions of NedMobiel and InTraffic, as well as by increasing its proprietary software solutions. ICT is increasingly taking on the role of architect while remaining an important partner in the implementation. This requires an environment that encourages looking beyond boundaries, finding new solutions and thinking outside the box. Expanding the software solutions it produces in-house calls for an entrepreneurial mindset with a shift from delivering on customer demand towards creating customer demand through the development of new solutions and insights in a global market place.

Linking people, technology and ideas

ICT's success largely depends on the people working within the company. After all it is the people who make a difference in delivering value to our customers. The ability to attract and retain the right people is a key driver of growth. ICT has a well-defined identity and corporate values. The company strives to be an employer of choice by nourishing a culture of entrepreneurship and being a front-runner in cutting-edge technology. ICT challenges its people to perform to the very best of their ability and seize the opportunities the group provides. ICT's core values are instrumental in this as they embody ICT's identity as an employer. Entrepreneurship, freedom to act, dedication to customers, expertise, innovation and, of course, business knowledge combined with an awareness of technological challenges are all part of the ICT identity.

Customer-centric

ICT aims to help its customers get smarter every day in every product, process or application. To deliver on this promise ICT needs to thoroughly understand its customers and collaborate intensively with them on numerous levels. ICT offers an agile and flexible operating environment in which its professionals can continuously engage in change, development and the implementation of new business ideas, solutions and structures. Due to its understanding of its customers' needs, ICT can translate new and innovative technologies into relevant business solutions and introduce these solutions into the operations of its customers in a safe and secure manner.

Sustainable innovation

ICT services a wide range of industries within its focus areas, with multidisciplinary teams leveraging the knowledge and expertise of individual industries. In doing so ICT combines its focus on specific areas while gaining valuable experience in multiple industries. This enables ICT to gain the scale it needs to fuel its research & development activities and stay at the forefront of technological developments. Its geographical mix enables ICT to combine creativity in design in its core market, the Netherlands, with development capabilities in its nearshoring location in Bulgaria. As a result ICT can offer repeatable and scalable solutions, addressing the growing demand from its customers for affordable and proven solutions.

Partnerships and collaborations

Given the need to adapt and respond quickly to the rapidly changing environment, working solely on a standalone basis is no longer possible and partnering is essential. ICT collaborates intensively with customers and partners, both reputable globally operating corporations and lean start-ups embracing leading-edge technologies. Strong partnerships with a large number of universities and colleges are key to ensuring that ICT maintains a high level of knowledge within the company.

Longer term financial objectives

At the Capital Markets Day in November 2018 ICT presented its 'Develop the Future' strategic update, defining its new longer term objectives for 2022 as follows:

- to increase the company's annual revenue to around € 200 to € 230 million in 2022 through organic growth of more than 5% and through acquisitions; and
- to maintain a profitability margin (EBITDA) of between 10 and 12%.

STRATEGIC EXECUTION IN 2018 AND FOCUS IN 2019

Progress in 2018

Originally rooted in technical automation and embedded software, ICT Group has been evolving into a technology solutions provider in recent years. Only five years ago, 80% of ICT's revenue came from time hire business (secondment). ICT successfully diversified its revenue streams to project-based revenue and, more recently, recurring revenue from proprietary software solutions.

From 2015 onwards, the company decided to focus on its three core themes Smarter Industry, Smarter Cities and Smarter Health. In 2018 ICT achieved in particular significant progress in strengthening its position in Smarter Cities.

Considerably stronger in Smarter Cities

In January 2018 ICT completed the purchase of 100% of the shares in NedMobiel B.V., a Dutch consultancy specialised in complex infrastructures such as tunnels, bridges, locks and motorways, as well as mobility solutions. This acquisition supports ICT's transition from a leading software integrator to a total technology services provider by increasing revenue from both projects and consultancy services, enabling ICT to move up the value chain. The complementary expertise of NedMobiel positions ICT well in Mobility as a Service (MaaS), a concept which is expected to be a major game changer in Smarter Cities. Furthermore, ICT acquired the remaining 50% stake in InTraffic B.V., bringing its holding to 100%. With the acquisition of InTraffic ICT further enhances its innovation and product development capabilities in the field of railway infrastructure and mobility. This, together with the acquisition of NedMobiel, has substantially strengthened ICT's position in Smarter Cities.

OrangeNXT launch boosts proprietary software solutions

ICT acquired the remaining 49% of the shares in ICT Mobile. ICT Mobile was established as a start-up in 2016 by the current management together with ICT, focusing on digital transformation.

Developing and marketing proprietary Software as a Service solutions requires a different set of skills and mindset. ICT therefore decided to make a distinction between its proprietary software solutions and its other services by bundling all its promising software solutions in newly established OrangeNXT. OrangeNXT focuses on ready to use software solutions, offered as Software as a Service. The Digital Transformation unit, established in the course of 2017, is now integrated in OrangeNXT.

Motar

In 2018 ICT launched a new platform, Motar, anticipating the trend of low-coded applications in industrial environments. Low code is a way to design and develop software fast with minimal hand coding. It delivers value quicker and more reliably. Motar provides a platform to create software with limited programming skills.

Focus in 2019

Growth will again be the main focus for 2019. Our growth path is defined by our strategic roadmap 2022. The buy-and-build strategy continues to be fully focused on profitable growth, combining healthy organic growth with selective acquisition opportunities.

ICT aims to grow organically in a tight labour market by

- Remaining an employer of choice;
- Seizing opportunities provided in high growth areas and industries with our Software as a Services solutions bundled in OrangeNXT; and
- Accelerating our nearshoring offerings.

At the same time ICT will continue to pursue suitable acquisitions. This includes companies with compelling offerings in the countries in which ICT is already active as well as other international companies, with a focus on Northern Europe. In January 2019 ICT announced the acquisition of Additude, a leading Swedish IT consultancy firm. This acquisition is a perfect fit with this strategy.
In 2019 we will continue to work hard to create all the right conditions to take further steps in our transformation into a total solutions provider.

VALUE CREATION MODEL

Creating value

ICT aims to make the world a little smarter every day. ICT does so by providing technological solutions and services that make processes more efficient, simpler, safer, more sustainable and above all more connected.

ICT creates value by linking people, technology and ideas through customer-centric, innovative solutions and strong and sustainable partnerships and collaborations.

ICT's long-term value creation model

STAKEHOLDER DIALOGUE

At ICT we interact with many people but we define our stakeholders as those who have an impact on the activities of ICT and its group companies, or who are impacted by ICT. We make a distinction between those who are directly in our sphere of influence, including our employees, customers, business partners and investors, and those who are not, such as government bodies, industry associations and social partners.

We are in regular dialogue with our stakeholders. Their relevance to ICT and the form of dialogue differs per stakeholder group. The following table gives an overview of our stakeholders and their expectations, the intended outcome of dialogue and how we engage with them. The Executive Board is actively involved in stakeholder dialogue and regularly discusses key aspects of our strategy and mutual expectations.

Stakeholder engagement has always been included in the way ICT does business as successful partnerships are vital to the execution of the company's strategy. Furthermore ICT has conducted employee and customer satisfaction surveys for many years and discussions with shareholders and credit institutions have been a fixed item on the agenda since the company went public in 1997. However, none of this dialogue was specifically aligned with a structured stakeholder engagement framework until this past year. Going forward we plan to further structure our dialogue with various stakeholders in the coming years.

In the year under review the Executive Board met with employees to discuss employee satisfaction, as well as with the works council to discuss material topics. In addition the Executive Board had one-on-one meetings with a number of shareholders to discuss their expectations. Discussions with customers were integrated into our regular and frequent ongoing contacts. Stakeholder dialogue did not give rise to an adjustment of our material topics or their position in the materiality matrix.

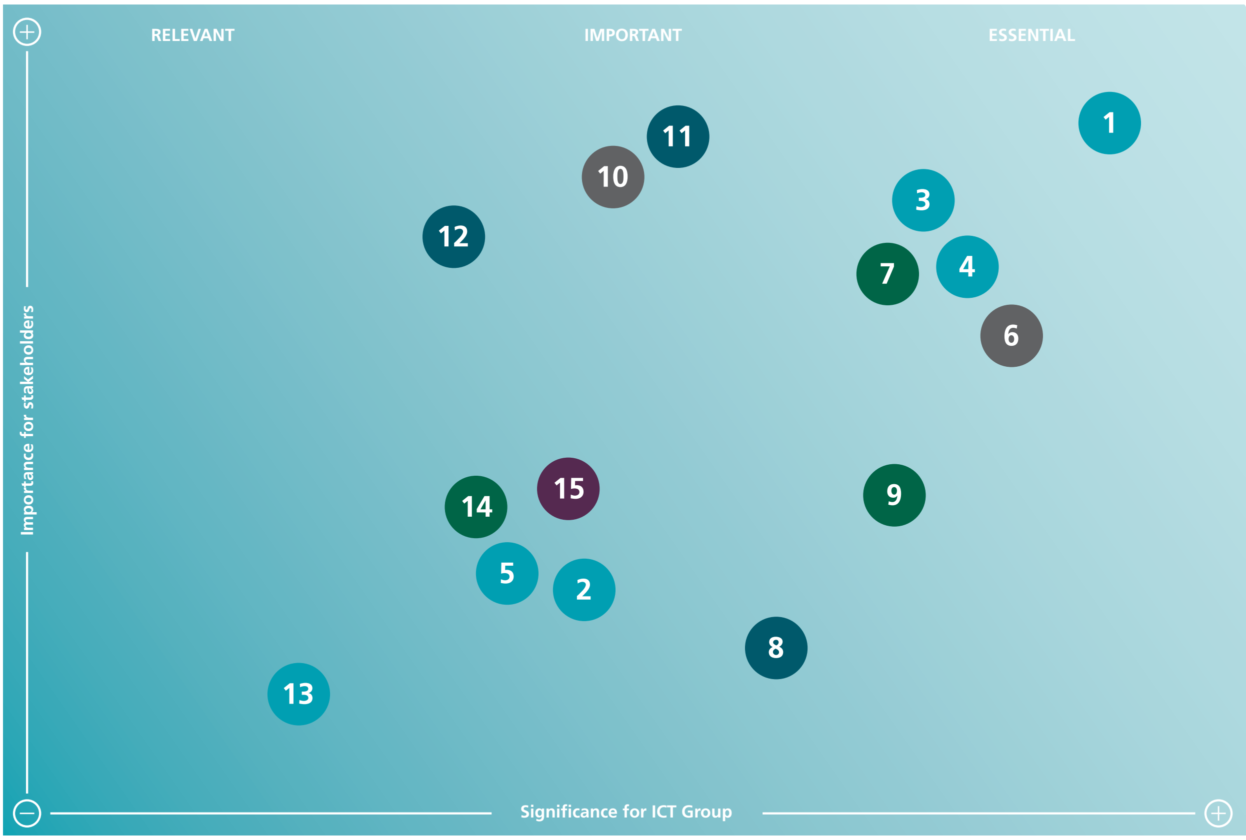
Stakeholders	Relevance to ICT	Main expectations	Intended result of dialogue	How we engage
Employees	Employees are vital to how we create value and are essential for our intellectual capital	• Good employer • Good terms of employment • Challenging projects and development opportunities • Pleasant workspace • Training programmes to increase knowledge	• Entrepreneurial culture • Company pride • Satisfied employees • Increased employee engagement • Talent recruitment and retention • Ongoing talent development	• Day-to-day contact • Employee satisfaction surveys • Town hall meetings • Initiatives including council of 20 and Dragon's Den.
Students	As the quest for talent continues, it is crucial to engage with potential candidates	• Challenging, high-quality internships and graduate assessments • Good supervision and mentoring by ICT professionals • Potential career opportunities	• Attract new talents • Increase attractiveness of tech profession	• Information days • Internships • Hackathons, datathons and other events
Customers	Customers who buy our solutions and services allow us to be a partner in their critical business processes	• Quality • Commitment and proactiveness • Innovative solutions that meet their demands • Sustainable solutions that add value to their business	• Customer loyalty • Customer satisfaction • ICT established as a trusted partner • Ability to translate customer needs into the right solutions	• Day-to-day contact • Customer satisfaction surveys • Routine feedback procedures • Participation in trade shows • Workshops and training
Business partners	Partnerships play a key role in our innovative capabilities	• Long-term relationship • Trust	• Long-lasting partnerships • Synergies	• Day-to-day contact • Workshops and training • Co-creation
Suppliers	Procurement of products and services for our operations	• Long-term relationship • Fair price	• Supplier loyalty • Innovative and sustainable goods	• Day-to-day contact • Technical visits and meetings
Investors, analysts and credit institutions	Ensure the financial capital needed to do business and execute our strategy	• Return on investment • Long-term value creation • Transparent disclosure • Good corporate governance • Financial prudence	• Build trust • Manage expectations • Fair cost of capital	• Website and annual reports • AGM • Roadshows / Capital Markets Day • Results announcements and meetings • Regular market feedback surveys
Universities	Knowledge sharing and talent pool	• Knowledge • Good educational capabilities • The right internships / assignments for students	• Knowledge sharing, tapping into fundamental research • Attract new talent • Promote tech profession • Promote diversity within technical studies	• Website • Career Information Days • Seminars, hackathons and other events
Regulatory and industry bodies	ICT is subject to certain laws and legislation. Industry and regulatory bodies can act as initiator, facilitator and accelerator for new sustainable solutions	• Compliance with regulations • Adherence to standards • Act as a responsible company • Good corporate governance	• Be compliant with laws and regulations • Continuous dialogue and being consulted in relevant new regulations and other matters	• Annual reports and website • Reporting and surveys • Audits • Specific meetings

MATERIALITY MATRIX AND KPI'S

We have identified the material topics for ICT based on input from both our internal and external stakeholders. The materiality matrix below plots these topics against our strategy to assess which topic can be considered most important to our stakeholders and to us. The Executive Board together with the Supervisory Board review these significant economic, environmental and social topics and their potential impact and risk on an annual basis.

We have linked the material topics to our strategy and the risks associated with these material topics. For each material topic we have defined policies and /or measures and KPIs. In some cases the KPIs are by definition very qualitative, but we have quantified the KPIs and defined targets where possible. This is included in the connectivity table on the following page, which also includes a reference to where additional disclosures regarding these topics are included in this report. The related links are also included in the table.

Materiality matrix



1. Attract and retain highly skilled and dedicated professionals
2. Inclusiveness: offering opportunities for all talents
3. Sustain and nurture well-being of employees
4. Provide opportunities for employees for personal development, training & education and entrepreneurial career paths
5. Promote technology driven professions for students & young professionals
6. Optimise customer satisfaction
7. Develop innovative solutions for customers, driving digitalisation
8. Stimulate knowledge sharing between professionals, business units and ICT's stakeholders
9. Maintain competitive edge
10. Safeguard information security and data privacy in provided solutions
11. Maintain high standards of ethics & business integrity
12. Conduct business in a transparent manner
13. Encourage social engagement, encourage employees to engage inmeaningful initiatives
14. Promote sustainable, economic use of natural resources
15. Create shareholder value

CONNECTIVITY MATRIX

Strategic message	Strategic pillars	Risks
As ICT be an employer of choice & ensure that employees are equipped with the knowledge required to remain the partner of choice for its customers	Linking people technology and ideas 1 2 3 4 5 13	Shortage of qualified staff Incremental costs to attract highly talented people Unsuccessful integration of acquisitions
ICT aims to help its customers to get a little smarter every day in every product, process and application	Customer centric 6 10	Inadequate project control Dependence on large clients Unauthorized access to ICT systems Unauthorized access to customers systems Data breach
Create affordable, scalable and replicable solutions	Sustainable innovation 7 9 14	Speed of technological developments New business models New business developments / start-ups
Strong long lasting partnerships	Partnership & collaboration 8 11 12	Multidimensional relationships New business models New business developments / start-ups Fraud and corruption Failure to comply with legislation
Profitable growth	Transcending strategy 15	Sensitivity to economic cycles Dependence on large clients Inadequate project control Unsuccessful integration of acquisitions

Material topics	KPIs	Strategic target	Results 2018	Results 2017	Page
1 Attract and retain highly skilled and dedicated professionals	Retention rate in %	5% autonomous growth per year – net of hires and leavers	86%	86%	39
2 Inclusiveness: offering opportunities for all talents	% Female FTE vs. total FTE	Continous improvement of gender diversity year-on-year	11.4%	9.8%	41
3 Sustain and nurture well-being of employees	a. Employee satisfaction	At least 7.0	7.3	7.1	39
	b. Absenteeism in %	Max 3.0% absenteeism	2.6%	2.2%	40
	c. Health & Safety incidents reported	0 incidents	0	0	40
4 Provide opportunities for employees for personal development, training & education and entrepreneurial career paths	a. # Hours spent on training		25,751	28,505	41
	b. # Hours education on average per FTE	At least 25 hours training per FTE	23	30	41
5 Promote technology driven professions for students & young professionals	# Internships and assignments offered to students		45	55	27/43
13 Encourage social engagement, encourage employees to engage in meaningful initiatives					47
6 Optimize customer satisfaction	Customer satisfaction	At least 7.0	8.0	7.9	26
10 Safeguard information security and data privacy in provided solutions	# Certifications obtained		14	10	53
7 Develop innovative solutions for customers, driving digitalization	R&D innovation spent as % of added value revenues	Around 1.5%	1.4%	1.5%	26
9 Maintain competitive edge	R&D innovation spent as % of added value revenues	Around 1.5%	1.4%	1.5%	26
14 Promote sustainable, economic use of natural resources	CO_2 reduction in % per FTE	2% decrease in CO_2 tonnes per FTE on a yearly basis	6.0%	6.0%	44
8 Stimulate knowledge sharing between professionals, business units and ICT's stakeholders	a. # Partnerships / collaborations with universities and colleges		13	12	27
	b. ICT involvement in events for customers		55	25	41
11 Maintain high standards of ethics & business integrity	# Incidents reported with regard to ethics / business principles	0 incidents	0	0	47
12 Conduct business in a transparent manner	# Compliance violations	0 incidents	0	0	47
15 Create shareholder value	a. Dividend pay-out in € per share		€ 0.38	€ 0.35	33
	b. EBITDA / revenue in %	Between 10% and 12%	10.4%	11.4%	30
	c. Revenue growth in %		23.7%	17.0%	30

MEMBERS OF THE EXECUTIVE AND THE SUPERVISORY BOARD

EXECUTIVE BOARD

Member Executive Board

Name
Mr. J.H. Blejie (1959)
Nationality
Dutch

Position
CEO and Chairman of the Executive Board
Ancillary positions
Member of the Supervisory Board of Greenflux B.V.

Member Executive Board

Name
Mr. W.J. Wienbelt (1964)
Nationality
Dutch

Position
CFO and member of the Executive Board
Ancillary positions
None

SUPERVISORY BOARD

Member Supervisory Board

Name
Mr. Th. J. van der Raadt (1953), chairman (as from 30 May 2011)

Nationality
Dutch

Position
Director, JnM Beheer B.V.

Main ancillary positions
Chairman of the Supervisory Board of Shared Stories Group B.V.
Member of the Supervisory Board of Remeha Group B.V. (BDR Thermea)

Initially appointed in
2011

Re-appointed
2015

Current term until
2019

Member Supervisory Board

Name
Mr. F.J. Fröschl (1951)

Nationality
German

Position
CEO, HI TEC INVEST

Main ancillary positions
Senior advisor Arma Partners, United Kingdom

Initially appointed in
2011

Re-appointed
2015

Current term until
2019

Member Supervisory Board

Name
Mr. D. Luthra (1950)

Nationality
Indian

Position
Director, Nogunoglor Holding BV

Main ancillary position
Member of the Board of Advisors, Van Weelde Shipping Group

Initially appointed in
2012

Re-appointed
2016

Current term until
2020

Member Supervisory Board

Name
Mrs. G. A. van der Werf (1971)

Nationality
Dutch

Position
CEO at First Dutch Innovations

Main ancillary position
None

Initially appointed in
2018

Current term until
2022

Mr. W. J. Wienbelt (CFO) and Mr. J.H. Blejie (CEO)

REPORT OF THE EXECUTIVE BOARD

DEVELOP THE FUTURE

The 2018 financial year was a good year for ICT from both a strategic and a financial perspective. With revenue growth of 24%, of which 6% organic, and an underlying EBITDA margin of 11%, ICT delivered on its promise of healthy profitable growth. Acquisitions in the Infra and Mobility sectors and the establishment of OrangeNXT, ICT's new Software as a Service company, mark important strategic steps for the company.

In 2018 we celebrated the company's 40th anniversary with all our staff and other stakeholders, including customers and business partners. This important milestone was used to reflect not only on what we have achieved so far but also, and perhaps more importantly, on what we aspire to achieve in the future. In 2018 ICT presented its 'Develop the Future' strategic update, defining its strategic roadmap with new long-term objectives for 2022. The strategy expands on ICT's strong foundation of consistent execution and proven track record in past years. The buy-and-build strategy continues to be fully focused on profitable growth, combining healthy organic growth with selective acquisition opportunities.

OPERATIONAL REVIEW

Enhancing position in Smarter Cities

In January 2018 ICT completed the purchase of 100% of the shares of NedMobiel, a Dutch consultancy specialised in complex infrastructures. With some 25 professionals, NedMobiel generates annual revenue of approximately € 3 million. This acquisition further advances ICT's transition from a leading software integrator to a total technology and services provider by increasing revenue from projects and consulting services.

ICT completed the acquisition of the remaining 50% of the shares of InTraffic in March 2018. ICT now holds 100% of the shares of InTraffic, which was founded in 2003 as a joint venture between ICT and engineering company Movares. With a staff of 150 professionals, InTraffic generates annual revenue of approximately € 19 million. The acquisition of InTraffic enables ICT to further expand its position in the strategic Smarter Cities theme. With these acquisitions, ICT is now able to fully service the market for water, rail and road infrastructure, and mobility.

OrangeNXT and Motar

An important development last year was the establishment of OrangeNXT, which combines ICT's promising software solutions aimed at helping customers reap the full benefits of the digital transformation. These solutions are often developed in-house and offered in an 'as a service' model, increasing the recurring revenue stream for ICT. Another strategic step in 2018 was the launch of Motar, a low-code platform to create software with limited programming skills. Low-code software is being used to speed up design and development processes with minimal hand-crafted code, thus minimising programming errors.

International expansion

During the strategic update presented to the market at the Capital Markets Day held in November 2018, ICT announced its ambition to further expand internationally. The focus will be on the northern European countries. In January 2019, ICT acquired Additude AB, one of southern Sweden's leading IT consultancies with a staff of over 160. Additude's software and engineering consultancy services generate around € 16 million in annual revenue.

Innovation

ICT is uniquely positioned thanks to its full comprehension of sensor technology, cloud technology, data analysis and data communications, as well as of how these technologies can be used and combined to help customers seize the opportunities presented by digital transformation. ICT's technology-based solutions are critical to helping its customers maintain a competitive edge. Our long-term success depends on our ability to innovate and respond to changing demands in the market and society as a whole. We strive to invest around 1.5% of our added value in R&D to ensure we stay at the forefront of driving our customers' digitalisation. In 2018 ICT invested 1.4% of its added value in R&D, focusing mainly on expanding our digital transformation solutions.

Customer-centric

Maintaining technological leadership and competitiveness is one of the key themes in ICT's strategy. Our years of experience have taught us that specialised knowledge of industries is just as important as our technical expertise and exceptional knowledge of industrial automation and technology. That is why ICT is structured into dedicated business units. Our focus on specific areas also enables us to enhance our innovative capabilities, helping us become a reliable partner with high added value for both customers and business relations throughout the chain.

ICT has been measuring its customer satisfaction for several years and our latest customer satisfaction survey showed a small increase in the overall score from 7.9 in 2017 to 8.0 in 2018. The feedback showed that our customers especially appreciate our increased emphasis on sustainability and the value for money ICT offers. We are intensively engaged with our customers to gain a deep understanding of their needs. This did not go unnoticed by our customers who gave us an improved score on cooperation and people.

ICT is very keen on sharing knowledge with its customers and business partners. With this in mind the company organises a wide array of events, a good example of which are ICT's Knowledge Events. In 2018 a Knowledge Event was organised about trends and developments in industrial automation. ICT also once again organised the ICT Group Water Congress on process automation in the field of waste water, surface water and drinking water. It was a full day of knowledge sharing and networking for ICT's partners and customers.

Partnerships

ICT further deepened its collaboration with customers and partners in 2018. An example is the collaboration with Dutch construction group BAM where we used the asphalt damage recognition solution we created for BAM Infra to develop a new product in co-creation.

We also intensified our partnerships with Microsoft, mainly in the field of digital transformation. ICT signed an agreement as a Microsoft Gold Cloud Partner to extend the current Azure Cloud Contract. ICT cooperates closely with universities to attract highly talented staff, in ways including by offering internships. In 2018 we had 45 students on assignment or doing internships at ICT.

ICT also aims to promote interest in technology and to help build the talent pool of the future through its collaboration with educational institutions and support for educational initiatives. ICT cooperates with 13 universities and colleges and also collaborates with a number of industry players to offer students challenging, high-quality internships.

Market developments in 2018

Revenue breakdown by theme (in € millions)	**2018**	**2017**	**Δ**
Smarter Industries	78.6	71.1	11%
Smarter Cities	35.3	16.4	115%
Smarter Health	8.2	11.2	-27%
Other	7.8	6.3	24%
	129.9	**105.0**	**24%**

Market conditions in the industries we serve remained favourable in 2018. The Automotive, High Tech and Machine & Systems markets showed substantial growth, driven by increased customer spending. Public opinion and discussions on sustainability have resulted in lower demand for projects in our Oil & Gas industry unit.

The growth in revenue relating to Smarter Cities was mainly due to the acquisitions of InTraffic and NedMobiel. Smarter Cities also realised solid organic growth in 2018. Spending on public infrastructure remained high in 2018 due to good economic circumstances. Also, government spending on mobility solutions remained high. Our Smarter Cities cluster benefited from these favourable conditions.

The growth in Smarter Health achieved in 2017 could not be sustained. Although the healthcare sector continued to invest in robust, life-prolonging and life-improving IT solutions, ICT saw a decline in revenue due a lower and later availability of the new foetal monitors for sale by BMA and lower productivity in the ICT Healthcare unit.

HYTECH SERVICE CLOUD: CONNECTIVITY ENSURES BETTER SERVICES

THE CHALLENGE

How to develop a future proof digital roadmap for innovative cloud solutions for over 3,600 PostNL's weighing scales in order to minimize disruptions.

THE SOLUTION

A future proof digital roadmap created by OrangeNXT for Hytech International, including a mobile app and a predictive maintenance module which makes 'Weighing as a Service' (WaaS) a future business model for Hytech International possible.

Hytech International, a technical service provider for retail outlets and installations, understands the importance of equipment that functions properly. With the Hytech Service Cloud, the company ensures the best support and service for its customers. The cloud solution monitors over 3,600 of PostNL's weighing scales in order to minimize disruptions. The portal is used to monitor and manage all scales and provides a transparent overview of the status of each set of scales. The implementation consists of a software connector installed in the weighing scales, which ensures connectivity with Microsoft Azure Cloud. This solution is based on conNXT, a platform developed by OrangeNXT on top of Microsoft's standard IoT (Internet of Things) Suite platform.

The Hytech Service Cloud was extended with mobileNXT to include a mobile application running on smartphones used by service engineers. This application ensures fast and easy deployment of new scales by scanning a 3D barcode, which configures the settings of the scales as well as the registration of the scales in the Service Cloud. This extension reduces the time required for installation by more than 50% and also reduces the workload of the back-office staff. A further expansion by implementing digitalNXT is a predictive maintenance module. The data collected within the platform will allow sufficient analysis capabilities to make predictions as to when a set of scales is about to stop functioning. This feature changes Hytech International into a real Data Driven Support organization in which 'Weighing as a Service' (WaaS) can be included in future business models.

Future proof digital roadmap

OrangeNXT created a future proof digital roadmap for Hytech International. The project varied from providing access to weighing scales by means of the conNXT connector to configuring the conNXT Cloud for monitoring, management, data storage, reporting, narrow casting and data analysis of the scales. The entire solution is managed by OrangeNXT's Managed Service organization, which works together with Hytech International on a daily basis to provide the best customer services.

NOTES TO THE RESULTS

Key figures:

(in millions of €)	2018	2017
Revenue	**129.9**	**105.0**
Added value	114.2	93.4
Underlying EBITDA [1]	**14.2**	**12.0**
EBITDA	13.5	12.0
Amortisation / depreciation / impairment	5.0	3.6
Operating profit	**8.5**	**8.4**
Financial income and expenses	(0.6)	(0.5)
One-off accounting gains [2]	4.1	–
Result from joint ventures and associates	(0.4)	(0.4)
Corporate income tax	(2.1)	(1.9)
Net profit	**9.5**	**5.6**
Non-controlling interests	(0.1)	(0.4)
Net profit [3]	**9.4**	**5.2**
Earnings per share [4]	0.99	0.56
Dividend per share (proposal to the AGM)	0.38	0.35

1) excluding one-off costs related to the contract termination fees at InTraffic (€ 0.8 million)
2) one-off accounting gains of € 4.1 million related to the acquisition of the remaining 50% stake in InTraffic (€ 3.5 million) and the revaluation of ICT's stake in GreenFlux (€ 0.6 million)
3) represents the net profit attributable to the shareholders of ICT Group N.V. 2018 contain one-off accounting gains of € 4.1 million related to the acquisition of the remaining 50% stake in InTraffic (€ 3.5 million) and the revaluation of ICT's stake in GreenFlux (€ 0.6 million)
4) based on the average number of outstanding ordinary shares

Performance of ICT Group

In 2018 ICT Group revenue rose 24% to € 129.9 million (2017: € 105.0 million). Organic growth, i.e. excluding the contribution of NedMobiel and the nine-month consolidation of InTraffic, in revenue was 6%. Organic growth was driven mainly by the strong performance at ICT Netherlands as a result of the increase in FTEs and higher productivity. Added value increased by 22% to € 114.2 million in 2018 (2017: € 93.4 million).

Personnel costs increased 23% to € 76.7 million (2017: € 62.5 million), in line with the increase in the number of FTEs, both as a result of acquisitions and organic growth in the 2018 financial year.
Other operating expenses increased to € 24.0 million (2017: € 18.9 million), mainly because of the recent acquisitions. The costs relating to strategic initiatives and acquisitions and partnerships amounted to € 0.3 million (2017: € 0.2 million). Furthermore, in connection with the acquisition of InTraffic one-off costs of € 0.8 million were incurred for contract termination fees. Other operating expenses also included non-recurring costs of € 0.4 million relating to the 40th anniversary of the company and start-up

costs of € 0.4 million for ICT Belgium BVBA. Underlying EBITDA came in at € 14.2 million in 2018, an increase of 19% compared to € 12.0 million in 2017. Taking the one-off costs of € 0.8 million relating to the aforementioned contract termination fees at InTraffic into account, EBITDA increased by 12% year-on-year to € 13.5 million. The underlying EBITDA margin decreased from 11.4% in 2017 to 11.0% in the year under review. This decrease in the underlying EBITDA margin is due to the non-recurring costs related to the 40-year anniversary of the company and start-up costs in ICT Belgium.

Performance by segment

Segment (in € millions)	2018		2017		Δ	
	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
ICT Netherlands	89.3	10.7	81.3	8.3	10%	31%
Strypes Bulgaria	9.9	1.9	9.6	1.9	2%	1%
InTraffic	14.6	0.5*)	–	–		
Other	20.1	0.3	16.4	1.9	22%	-85%
Eliminations	(4.0)	0.0	(2.3)	0.0		
Total	**129.9**	**13.5**	**105.0**	**12.0**	**24%**	**12%**

ICT Netherlands showed a strong performance in 2018. Revenue was up 10% to € 89.3 million as a result of more hires and increased productivity, supported by positive market circumstances. Organically, revenue was up approximately 8%. In the year under review EBITDA increased 31% to € 10.8 million. This significant growth in EBITDA compared to 2017 was the result of increased project activity and material sales.

At **Strypes Bulgaria** (ICT Nearshoring) revenue rose slightly to € 9.9 million in 2018. The ongoing investments in the organisation limited EBITDA in 2018 to € 1.9 million, the same level as in 2017. The increased organisational effectiveness was necessary to safeguard further growth of our nearshoring activities.

InTraffic was consolidated as of 1 April 2018 and contributed € 14.6 million to revenue in the last nine months of 2018. EBITDA came in at € 1.3 million excluding one-off costs of € 0.8 million relating to contract termination fees. Although InTraffic's margin is currently below the ICT Group target margin range, we are already seeing the first benefits of the steps being taken to increase efficiency at InTraffic. The aim is to bring InTraffic's margins more in line with ICT's overall group margins and the full impact of these measures will materialise in the course of 2019.

The **'Other'** segment posted revenue of € 20.1 million (2017: € 16.4 million). Improve performed in line with last year, with slightly better margins. The performance of Raster stabilised compared to last year. BMA's performance decreased due to lower hardware (foetal heart monitors) sales and lower software sales in the Netherlands. NedMobiel exceeded expectations in the second half of 2018 and OrangeNXT also performed well with better-than-expected revenue growth. CIS Solutions was consolidated as of the fourth quarter of 2018. CIS is developing as planned.

Other financial information

Amortisation and depreciation

ICT has attributed a value to, and is amortising, several intangible assets including the order backlog, software and customer relations at its recent acquisitions. Total amortisation in 2018 amounted to € 3.8 million (2017: € 2.7 million). Depreciation totalled € 1.2 million in 2018 (2017: € 0.9 million).

Operating profit came in at € 8.6 million in 2018 (2017: € 8.4 million). As a result of the higher amortisation, the operating margin declined to 6.6% from 8.0% in 2017.

Results from joint ventures and associates

The result from joint ventures reflects the contribution of InTraffic for one quarter as InTraffic was still reported as a joint venture in the first quarter of 2018. The result from associates amounted to a loss of € 0.4 million (2017: € 0.4 million loss), mainly attributable to GreenFlux. The result was foreseen in line with Greenflux' future growth strategy. LogicNets achieved a breakeven result in 2018.

Financing expenses increased to € 0.9 million in 2018 from € 0.5 million in 2017 as a result of increased financing for the recent acquisitions and a loss on the write-off of loans to Valuemaat which filed for bankruptcy in the first half of 2018 (€ 0.2 million).

Financing income came in at € 0.3 million and relates mainly to a deferred acquisition consideration adjustment for BMA.

Taxes in 2018 amounted to € 2.1 million compared with € 1.9 million in 2017.

One-off accounting gains

In 2018 ICT Group recognised € 4.1 million in accounting gains.
As a result of the acquisition of the remaining 50% in InTraffic, ICT recognised a one-off accounting gain of € 3.5 million related to the revaluation of the 50% stake in InTraffic already held by ICT. Following the investment by new shareholders in GreenFlux, ICT's stake was diluted from 24.49% to 19.57%. As a result of the revaluation of its stake, ICT realised a one-off accounting gain of € 0.6 million.

Net profit increased to € 9.4 million in 2018 compared with € 5.2 million in 2017. This translates into earnings per share of € 0.99 (2017: € 0.56). The number of outstanding ordinary shares increased during the year under review to 9,463,878 (31 December 2017: 9,411,301) due to the 2017 stock dividend.

Cash flow movement

In 2018 the net operational cash flow amounted to € 11.1 million (2017: € 7.9 million). This positive development is in line with the results growth in 2018 and a result of disciplined working capital management.

In 2018 the cash outflow on investment activities amounted to € 10.2 million, compared with € 2.9 million in 2017. The main elements of this outflow were the purchase price cash consideration for the acquisitions of NedMobiel and 50% of InTraffic (€ 7.8 million) and investments in product development and housing facilities.

The cash outflow from financing activities amounted to € 0.9 million (2017: € 4.3 million). The main elements are the net effect of dividend paid (€ 2.4 million cash outflow) and the balance of new financing arranged for acquisitions and the repayments of existing acquisition financing (€ 1.7 million cash inflow).

The net cash position at 31 December 2018 was € 6.2 million (31 December 2017: € 6.3 million). The net cash outflow amounted to € 0.1 million (2017: € 0.7 million inflow).

Balance sheet structure

Mainly as a result of the net effect of the dividend payment of € 2.4 million and net profit (€ 9.4 million), shareholders' equity increased to € 54.2 million in 2018 (2017: € 47.7 million). The balance sheet total increased to € 95.6 million at year-end 2018 from € 81.6 million at year-end 2017 as a result of the acquisitions of InTraffic and NedMobiel. The solvency ratio (shareholders' equity / total assets) stood at 57% at year-end 2018, compared with 58% at year-end 2017, reflecting ICT's sound financial basis.

Personnel

At 31 December 2018 ICT Group had 1,227 FTEs (1,274 employees), 24% higher than the 990 FTEs (1,032 employees) at year-end 2017. The acquisitions of InTraffic and NedMobiel and ongoing recruitment efforts contributed to this increase.

Dividend proposal

ICT proposes a dividend of € 0.38 per share for the 2018 financial year (2017: € 0.35). The proposed dividend is subject to the approval of the Annual General Meeting of Shareholders (AGM) to be held on 15 May 2019. For the calculation of the proposed dividend, the net profit realised is adjusted for the accounting gains recognised in 2018 as well as non-cash amortisation amounts. This results in an adjusted net profit for the full year 2018 of € 9.1 million. The proposed dividend of € 0.38 per share represents a pay-out ratio of 40% of adjusted net profit. ICT offers the option of distribution of the dividend in cash or in shares.

ICT will calculate the dividend payment in shares one day after the end of the optional period on the basis of the average price of ICT shares during the last five trading days of the optional period, which shall end on 3 June 2019. The dividend in cash or in shares will be payable on 5 June 2019.

Events after balance sheet date

In January 2019 ICT acquired full ownership of Additude AB, one of southern Sweden's leading IT consultancy firms. With over 160 employees, Additude realises an annual turnover of around € 16 million. The company provides software and engineering consultancy services supporting customers in their innovation processes, product development and growth strategy. Additude primarily operates in the IT and engineering markets and serves many of Sweden's largest and technology-intensive companies. This acquisition is a perfect fit with ICT's international expansion strategy, in which the northern European countries are defined as an important spearhead.

OUTLOOK

Growth will again be the main focus in 2019, as defined in the company's strategic roadmap 2022. ICT is fully focused on profitable growth and will continue to execute its buy-and-build strategy; combining healthy organic growth with selective acquisition opportunities.

The employment market for IT talents remains very challenging. Attracting and retaining the right people is a top priority.
ICT expects its capital expenditure and research & development expenses to increase in 2019, in line with the increased scale of the company.

ICT is fully committed and confident in its ability to deliver on its long-term objective of increasing annual revenue to € 200 to € 230 million by 2022, while maintaining an EBITDA margin between 10 and 12%. For 2019 ICT expects further revenue and EBITDA growth.

AMSTERDAM SPAARNDAMMERTUNNEL: BETTER RESULTS WITH LESS EFFORT

THE CHALLENGE

How to support a German company in dealing with specific Dutch requirements regarding tunnel automation and advanced technical installations for the new Amsterdam Spaarndammertunnel.

THE SOLUTION

ICT Group accelerated and simplified processes by participating in the technical processes and advising and initiating optimization measures, both during the design and the testing phase. The tunnel has opened without any problems.

Amsterdam Houthavens, in the past used to serve as a storage area and transfer of tree trunks, has been transformed into a high-class residential area right on the river IJ waterfront. The Spaarndammertunnel, opened in February 2018, has created a restricted traffic residential zone and connects the new area with the city. Underground traffic creates more space above ground for green areas, bicycle and walking tracks as well as public transport. The brand-new, 800-metre long tunnel has ensured that eighty percent of the 22,000 daily vehicle movement passes underground. In addition, the southern tunnel wall functions as a water barrier. Should the river IJ ever flood, then Amsterdam will remain safe and dry.

The Amsterdam Municipality awarded the contract of the tunnel to Max Bögl. This company subcontracted the technical tunnel installations to the German company OSMO. However, both parties did not consider that Dutch legal requirements regarding the design and test processes are different to those in Germany. That is why the company contracted ICT Group Infra and Mobility Solutions with the request to advise and support them for tunnel automation and advanced technical installations.

V model for tunnel automation and advanced technical installations

ICT Group advised the use of the V model: the company can only pass to the next phase after the previous phase has been tested and approved. This ensures that any conflicting issues are becoming apparent in a timely manner and can be addressed immediately. ICT Group's original role was only advisory. However, as time went on the expertise of ICT Group proved to be of added value in the domains of design and programming. Participating in the technical processes, advising and initiating optimization measures, both during the design and the testing phase, has accelerated and simplified the process. The results are substantial savings on both time and money.

MAKING THE WORLD A LITTLE SMARTER EVERY DAY

OUR PURPOSE AND CORPORATE SOCIAL RESPONSIBILITY OBJECTIVES

ICT's purpose is to be a technology services provider, making the world a little smarter every day. This purpose is explicitly and implicitly linked to our Corporate Social Responsibility and embedded in our Code of Conduct which states: "Corporate Social Responsibility is a natural part of our organisation. ICT wishes to operate transparently and with integrity towards all its stakeholders, including shareholders, customers, local communities and employees."

ICT actively promotes corporate sustainability in line with the UN Sustainable Development Goals and the OECD Guidelines for Multinational Enterprises. As ICT plays an essential role in helping customers make the digital transformation and seize the opportunities of the current and future technology revolution, creating sustainable solutions is a vital part of that effort. Our strategic principles aimed at creating sustainable solutions that make the world smarter are:

- to improve healthcare and well-being with technological solutions;
- to create intelligent IT solutions which increase the quality of life in cities, provide economic growth in industries and cities, and foster innovation; and
- to reduce the world's environmental footprint and ensure responsible consumption and production based on innovative IT solutions.

In 2018 we added the Sustainable Development Goal 'decent work and economic growth' (SDG 8) to our CSR strategy as fulfilling our purpose is not possible without focusing on the development of our people. We do this by offering them a safe working environment, stimulating their entrepreneurial spirit, so that they can deliver value to our customers. ICT believes that the development of its people is a solid foundation for contributing to increased economic growth and productivity for the company and our customers.

On the right page we have identified how our CSR strategy is linked to the UN Sustainable Developments Goals, outlining our objectives and how we contribute.

UN Sustainable Development Goal	ICT objective	How ICT contributes
3 GOOD HEALTH AND WELL-BEING	• ICT strives to improve the quality of healthcare through its technological solutions, making healthcare specialists smarter • We strive to be smarter every day by creating intelligent IT solutions that make it possible to speed up health diagnoses, increase the usage rates of healthcare programmes and reduce the time medical specialists need for administrative tasks	• By developing innovative imaging analysis software to improve cancer diagnosis and treatment • By optimising healthcare treatment programmes to improve usage rates of health equipment (e.g. x-ray machines) • By delivering software that improves monitoring in high-risk pregnancies
8 DECENT WORK AND ECONOMIC GROWTH	• ICT focuses on the development of its people so that they can perform to the best of their abilities • ICT stimulates an entrepreneurial culture to enable its people to create innovative solutions, delivering value to ICT's customers	• By continuously investing in training and development programmes for our own ICT Academy • By investing in a safe and healthy working environment • By promoting inclusiveness • By initiating and engaging in innovation programmes that stimulate innovative ideas, such as CoLab and Dragons' Den
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• We strive to be smarter every day by creating intelligent manufacturing and IT solutions	• By offering IT solutions that are smart and sustainable, such as Model Predictive Control and resilient cloud solutions • Through the Council of 20, a group of young professionals and disruptive thinkers who are encouraged to develop new innovative ideas • Through Dragons' Den, a programme aimed at encouraging and stimulating ICT employees to come up with new innovative ideas • By having a supplier code that ensures that strategic suppliers operate sustainably, in line with ICT's Corporate Social Responsibility strategy
11 SUSTAINABLE CITIES AND COMMUNITIES	• Using our IT solutions, we aim to help cities become more sustainable and improve the quality and performance of urban services	• By improving air quality through the use of our IT solutions to facilitate electric and solar energy modes of transport • By participating in Greenflux, which provides electric charging stations for vehicles. Together with Greenflux we have developed Smart Charging, a solution based on IoT & Cloud technology, for the settlement of charge transactions • By developing smart asphalt that leads to better traffic flows and less disruption
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• We want to reduce our environmental footprint from year-to-year • ICT strives to have sustainable and innovative solutions that reduce costs and consumption	• By participating in various projects aimed at reducing energy consumption (e.g. GridFlex, BZO Groningen and USEF initiatives) • We participate in a consortium that is investigating how to prevent overloading and underloading on the electricity grid as the higher share of wind and solar-based electricity is expected to increase the number of highs and lows in electricity production

ICT has defined the following spearheads to execute its Corporate Social Responsibility strategy:

- Promote sustainable employability
- Enhance sustainable innovation
- Reduce our environmental footprint and that of the world
- Maintain high standard of ethics & business integrity

Topics are defined with quantative KPIs and time-sensitive targets for each Corporate Social Responsibility theme.

AMBITIOUS SUSTAINABLE EMPLOYER

The employment market for IT talents is becoming increasingly challenging, so being an attractive employer is crucial. To do so we are keen to ensure we have a well-defined profile and identity that makes it clear what ICT offers existing and potential employees. Our goal is to create an environment in which ICT employees can grow, both personally and professionally, based on their ambition and passion for technology.

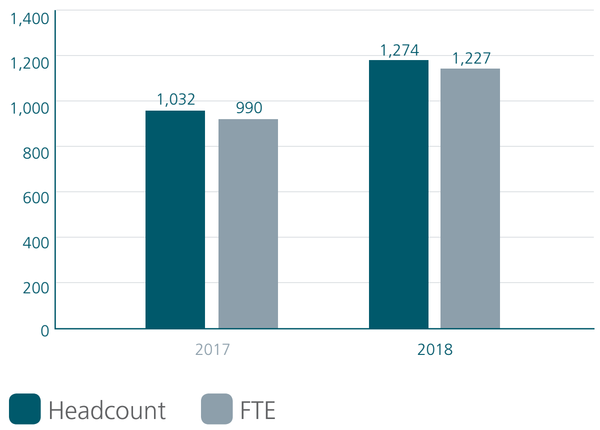
Promoting sustainable employability is key for ICT to be and remain an employer of choice. This is based on the following pillars:

- The well-being of our employees
- Continuous training and education
- Being an inclusive employer with a diverse workforce

Our key performance indicators to measure sustainable employability, categorised in three pillars, are:

Key performance indicators	Targets	2018	2017
Well-being of employees			
Staff retention	> 85% and above the sector-wide average	86%	86%
Employee satisfaction	> 7.0	7.3	7.1
Absenteeism rate	Below the sector-wide average	2.6%	2.2%
Number of safety incidents	0	0	0
Number of employees participating in ICT's equity participation plan	There is no specific target defined	17%	13%
Learning and development			
Average number of training hours per FTE	on average 25 hours per annum	23	30
Inclusiveness			
% females vs. total number employees	Continuous improvement of gender diversity year-on-year	11.4%	9.8%

The total number of employees at year-end 2018 was 1,274, 23% higher than at the end of 2017 (1,032).



In the year under review ICT successfully hired 415 (2017: 213) new colleagues, of whom 36% (2017: 15%) joined through the companies we acquired in 2018. The retention rate came in at 86% in 2018, compared to 86% in 2017, putting the retention rate above our target of 85%. The retention rate at ICT Netherlands was 86% (2017: 87%), above the industry average in the Netherlands and above our own retention target despite the ever-challenging labour market and shortage of IT talent. This rate is partly attributable to our retention programme based on exit statistics and exit interviews, which enables us to react quickly to exit trends. In Bulgaria the retention rate was 80% (2017: 73%), below that of the Netherlands. This is attributable to a lower average employee age and heavy competition for young IT professionals.

Well-being of our employees

Well-being is a key driver of engagement and strongly linked to retention. ICT therefore strives to create a healthy working environment where people feel safe and engaged and can keep growing, both personally and professionally. ICT intends to sustain and nurture the well-being of its employees through:

- the company culture, including ethical behaviour;
- employee satisfaction surveys;
- vitality and work-life balance;
- the physical working environment;
- employee recognition; and
- engagement initiatives.

Company culture

ICT's goal is to create an environment in which employees are continuously challenged to develop their strengths and in which they are not afraid to make mistakes. ICT's well-defined identity and corporate values, including entrepreneurship and freedom to act, are the preconditions for this environment. ICT encourages its people to look beyond boundaries, to be innovative pioneers looking for ground-breaking solutions, to develop and share knowledge and to think outside the box.

Within ICT Group we have adopted the UN Guiding Principles on Business and Human Rights. This is also embedded in our Code of Conduct which states that ICT makes every effort to create a positive, transparent working environment that is free from discrimination, harassment and / or intimidation and in which employees have equal access to information and opportunities.

Employee satisfaction

The result of the annual employee satisfaction survey is a key indicator in tracking the level of engagement among our employees. The 2018 survey, with a response rate of 68% (2017: 70%), showed an overall score of 7.3 (2017: 7.1), indicating that ICT is performing satisfactorily, above our own target of 7. The survey is also very valuable in identifying points for improvement, which ICT uses to increase its attractiveness as an employer.

Below industry absenteeism rate

A key indicator linked to employee well-being is absenteeism due to sickness. The absenteeism rate remained low at ICT, coming in at 2.6% in 2018 (2017: 2.2%), and below the average absenteeism rate of around 3% in the industry in which we operate. Maximum vitality and a healthy work-life balance are essential to delivering the best possible performance on a day-to-day basis. That is why ICT has a prevention programme in place which involves managers and the HR department working together and learning from every case of absenteeism so we can help our employees to stay healthy. Professional healthcare support is available and covers a wide range of issues, from psychological help to RSI complaints and more.

Given the nature of our work, the number of health and safety incidents was again minimal in 2018. A health and safety manual is available within ICT describing the health and safety policies and guidelines. These policies and guidelines are reviewed every three years. ICT also has a prevention officer whose task it is to ensure that health, safety and environmental policies and guidelines are adhered to.

New and improved workplaces

ICT believes that the working environment has a direct impact on employee productivity, performance and morale. In recent years ICT has invested in creating workspaces that are conducive to the well-being of its employees by opening new office locations and upgrading existing ones. Having multiple office locations means that employees can work closer to home, helping them to achieve a better work-life balance. Furthermore we have equipped the upgraded office locations with modern office furniture as well as collaboration areas and social spaces with sustainable climate control and lighting systems.

Engagement initiatives

ICT also has several engagement initiatives in place, including a Council of 20, a group of young professionals under the age of 30. This group of disruptive thinkers has been given the task of coming up with new ideas to fuel ICT's pipeline of innovations. This increases the engagement and job satisfaction of these young professionals, while at the same time helping ICT to stay connected to the world of millennials. The Council of 20 meets every other month at a different location.

Another element in our drive for employee engagement is our Equity Participation Plan for employees, which increases involvement and engagement by making employees owners of the company. The equity participation plan is open to all ICT employees with a permanent job contract. More than 17% of the employees eligible to join currently participate in the plan (2017: 13%).

Continuous training and education

To be an innovative frontrunner using the latest technologies and tools it is important that our employees are equipped with the skills to match. Therefore, we continuously make significant investments to increase the technological, innovative and personal skills of our employees. By offering technical and personal training we ensure that employees remain well-equipped for their roles. One of our training courses is the professional leadership programme in which ICT employees are educated and constantly challenged. Ongoing personal development is an integral part of daily working practices and is discussed regularly in employee feedback sessions so we can identify individual development needs.

ICT Academy

As one of the most important drivers of success is continuous training, the company has set up its own academy, the ICT Academy, in close collaboration with its specialised training unit Improve Quality Services. Employees are trained by our own professionals or by carefully selected trainers or institutions. To fully support learning needs ICT offers online training facilities in addition to traditional classroom facilities. We offer more than 100 training courses, covering a wide range of knowledge and expertise, from technical skills to leadership skills,
as well as access to an array of free e-books. Furthermore ICT offers several 'learning on the job' training programmes. All employees have a personal training budget and can use our self-service tool to help register for training courses and order books and development kits. The ICT Academy initiates and organises a curriculum for managers on leadership skills. Prominent speakers are invited to share their vision on leadership to help inspire our managers and help them reflect on their own leadership style.
In 2018, ICT's professionals followed a total of 25,751 hours training (2017: 28,505 hours),
this translates into an average of 23 hours per professional (2017: 30 hours), slightly below our average aspiration level. This included both internal and external training courses. The use of the Improve Qualities Services training platform accounted for some of this training.

Career development

ICT recognises that its employees need to feel appreciated in the workplace. The annual performance review cycle for all employees plays a key role in monitoring this. ICT conducts career development evaluations at least once a year.
We also initiated quarterly dialogue sessions between managers and employees to increase the focus on the employees' development path and to promote a result-driven attitude. Our feedback / feedforward culture is also supported by a specific toolset that was introduced two years ago.
ICT does everything it can to help employees shape and build their careers. Employees can add new specialist technical skills or they can take the opportunity to develop management skills. ICT aims to fill the majority of all management positions through internal promotion, supported by its leadership development programme.

Knowledge sharing

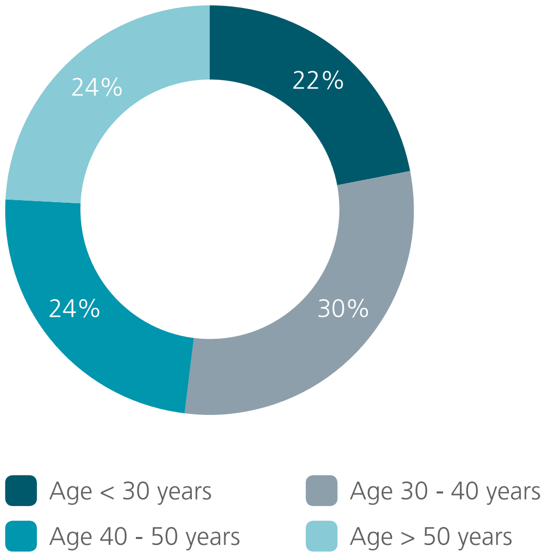
ICT aims to promote the exchange of technical knowledge between employees and teams.
We develop cross-functional skills by organising interdisciplinary workshops. Creative workshops are also organised to share knowledge with employees, customers and partners. One of the internal programmes, Dragons' Den, was launched to stimulate employees to come up with innovative ideas. In 2018 ICT arranged internal workshops and training for employees, which are taken 1,240 times, as well as 55 events and workshops for customers.

Be an inclusive employer with a diverse workforce

ICT welcomes every employee that meets its competence profile, irrespective of gender, age, religion or (ethnic) background. ICT makes every effort to create a positive, transparent working environment that is free from discrimination and gives all employees equal access to opportunities. The inclusivity of ICT is not only due to the scarcity of IT professionals but first and foremost because ICT truly believes that diverse views and perspectives add value and are essential to drive innovation. It is a proven fact that diverse teams perform better and deliver better results.

Last year, ICT continued to broaden its profile in terms of diversity in nationalities, with foreign nationals now accounting for 24% of our total workforce (2017: 21%). ICT employs people from all over the world, representing 29 different nationalities (2017: 30). ICT helps its international employees with the relocation and integration process, offering all the help it can both on the social front and with other more practical day-to-day issues. We also organise culture sessions for international employees and Dutch nationals to create a better reciprocal understanding amongst employees.

The diversity of our workforce is also reflected in the age breakdown of our employees, which was as follows in 2018:



Gender diversity

When it comes to gender diversity, we are moving slower than we would like to, despite efforts and ambitions to increase the number of female staff. By the end of 2018 11.4% of total staff were female (up from 9.8% in 2017). ICT believes that getting women interested in technology and ultimately increasing the future female talent pool starts in school. This is why ICT supports initiatives which should result in a better gender balance in this field. To increase the number of female managers ICT gives priority to female employees in its leadership programmes. ICT encourages a good work-life balance, offers flexible working conditions, including part-time contracts and flexible hours. There is no difference in the benefits provided to full-time employees or part-time employees. At ICT Group level 79% of the contracts were full-time contracts (2017: 83%). The percentage of male employees working full-time was 82% (2017: 84%), compared to 63% of female employees (2017: 68%).

With respect to gender equality, ICT can confirm that there is no difference in the base salary and total remuneration between women and men across all employee categories.

Information on the gender diversity in ICT Group's Executive and Supervisory Boards can be found in the Report of the Supervisory Board

SUSTAINABLE INNOVATION

ICT strives to create sustainable IT solutions that increase the quality of life on earth, provide economic growth in industries and cities, and foster innovation. This perfectly matches our focus on our smarter themes and our sustainable innovation objectives:

- Smarter industries. ICT helps to create intelligent manufacturing technology solutions, supporting the digital transformation and the continued robotisation of industry.
- Smarter cities. ICT wants to enhance the quality and performance of urban services, which generally goes hand in hand with reducing costs and resource consumption.
- Smarter health. ICT has developed software solutions to enhance the exchange of data in the healthcare sector, enabling synoptic reporting and faster diagnosis, thus increasing efficiency.

To achieve and sustain ICT's sustainable innovation objectives the research & development and innovation programmes Dragons' Den and CoLab were created to accelerate sustainable innovation. Additionally, we consolidated our software propositions in OrangeNXT for this purpose.

Dragons' Den

In 2017 ICT introduced the Dragons' Den programme to structurally assess and evaluate innovative product ideas with new business models. It starts with new internal and external ideas for which a sound business model is developed. The goal is to start fast and, if inevitable, fail fast. Hypotheses in the business model are validated using marketing techniques, before diving into technological challenges. Validated business models are presented on a monthly basis to the internal Dragons' Den committee, consisting of ICT board members and external experts. They assess the proposed ideas on criteria such as strategic fit, growth potential and portfolio balance. Progress is continuously monitored. This process has already resulted in multiple successful pitches and contributed to a constantly growing portfolio of new business models with recurring revenue streams including Motar, the OrangeNXT product portfolio and the development of the MaaS proposition.

CoLab

ICT created CoLab to collaborate with partners, government authorities and educational institutes. CoLab's goal is to create innovative projects and techniques that will make a difference in the future. CoLab is headed by the Innovation Director who reports to the Executive Board. The majority of our internships related to innovative projects are offered via CoLab. From experience in the past years we have concluded that, in order to benefit the most from the internships – both from the students' and ICT's perspective, around 25 internships per year is the optimal number. In this way the programme can really contribute to ICT's innovative capabilities.

CoLab

During the past years we have developed a variety of sustainable solutions. Examples include:

BZO Groningen – Deferred energy consumption leads to more favourable rates for Groningen businesses

How much can companies save on energy costs by aggregating energy consumption and flexibly responding to market prices? This is being looked into by a consortium of seven organisations in the Zuidoost Business Park in the Dutch city of Groningen. ICT is involved in this project with the objective of investigating which technical facilities are required to make this possible.

Spaarndammertunnel – Design, programming and testing technical systems

The Amsterdam Houthavens area has become a restricted traffic area for high-quality living along the IJ waterfront. The Spaarndammertunnel connects this new residential area with the city centre. Consisting of seven islands in the Amsterdam IJ, this location which used to serve as a storage and transfer zone for tree trunks has been transformed into a bespoke

Key performance indicators

Sustainable innovation	Targets	2018	2017
% of added value invested in innovative solutions	At least 1.5% of ICT's added value is invested in innovative solutions	1.4%	1.5%
Number of internships		45	55

residential area right on the waterfront. Officially opened in February 2018, the Spaarndammertunnel connects this new restricted traffic residential area with the Spaarndammerbuurt neighbourhood. The tunnel leads the traffic underground creating more space above ground for greenery, bicycle and walking paths, and public transport. Measuring 800 metres long of which 470 meters is covered, this new tunnel ensures that 80% of all 22,000 daily traffic movements take place underground. In addition, the southern tunnel wall functions as a water barrier. So if the IJ were ever to flood, Amsterdam would remain safe and dry.

As part of a consortium, ICT provided advice and support in the testing activities. The company was involved in the design and programming of the technical systems related to the tunnel.

Q-Suite software™ – Enabling dosimetry after selective internal radition therapy (SIRT) with QuiremSpheres®
QUIREM Q-Suite™ is a proprietary software tool that can be used to verify therapy by calculating the 3D dose distribution based on images. ICT's healthcare unit was involved in developing the second generation of Q-Suite™. ICT Healthcare supported the customer from the creation of a user-testable proof of concept to the conversion into a product.

Successful installation and commissioning of a MES system for the revision of wheelsets at NS
ICT Group has installed a Manufacturing Execution System (MES), for the department of the Dutch National Railway company NS that executes overhauls and repairs of railway wheelsets. Human factory operators are now equipped with a mobile device enabling them to communicate with MES and to scan component barcodes. This is done through a mobile application developed by OrangeNXT, an ICT Group company. Before the digitization and automation of the overhaul process, decisions were made based on human assessments. Since MES directs the process through exact standards, more impact and certainty about the final quality is achieved ('First Time Right').

REDUCE OUR ENVIRONMENTAL FOOTPRINT AND THAT OF THE WORLD

CO_2
The reduction of greenhouse gases, and especially carbon gases, is a necessity. The objective to reduce CO2 emissions brings both costs and opportunities. So too for ICT as an IT solutions provider participating in projects aimed at reducing the world's environmental footprint. ICT's greatest impact in reducing greenhouse emissions lies with its solutions, so we performed a number of chain analyses to calculate to what extent our CO_2 emissions could be reduced. These chain analyses were linked to various activities: to electric loading poles as ICT is highly involved in GreenFlux, to GridFleX which aims to set up a local and sustainable energy market for consumption, storage and trading of solar energy, and to the chain of hosting activities in the Cloud. Furthermore, ICT is a founding partner of USEF. The aim of USEF is to contribute to the development of a common smart energy standard and shared EU framework to maximise the value of flexibility within a unified smart energy system. This will offer value to all market stakeholders and promote the adoption of renewable energy. All these initiatives result in energy efficiencies, the use of renewable

Key performance indicators

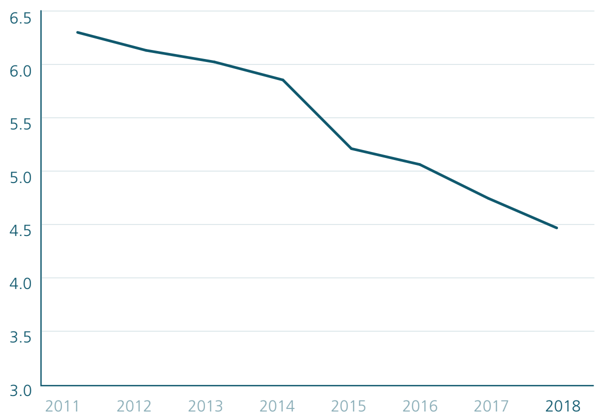
Reduce the world's environmental footprint	Targets	2018	2017
Carbon footprint in CO_2 tonnes per FTE	Reduction of 2% per FTE on a year-on-year basis.	4,5	4,7
Renewable energy (% of total energy consumption offices)	100% green electricity in our offices	100%	60%
Electric cars (% of lease fleet)	In 2026 the majority of our lease fleet is electric	3%	2%

energy and a reduction in CO_2 emissions.
Looking at our own environmental footprint, it is ICT's objective to reduce its carbon footprint by 2% per FTE annually. We aim to achieve this objective through a lease car park which by 2026 will mainly consist of electric cars, by only using renewable energy, through offices with an A grade energy label and with heating systems which are fully electric by 2030.

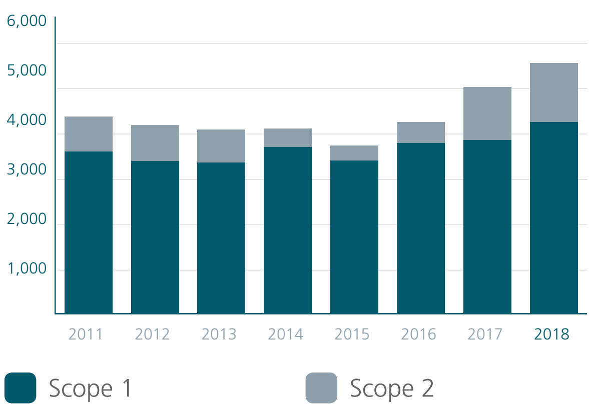
In 2017 ICT launched Smart Mobility for Employees, as the biggest opportunity to reduce our carbon footprint is via mobility. We now urge our employees to minimise travel and to make use of modern communication technologies as much as possible. And we are promoting the use of public transport, electrical vehicles, e-bikes and carpooling for essential travel. Furthermore, ICT has increased the density of its office location network, enabling employees to work closer to home, which also helps to boost the well-being of our employees.

ICT closely follows the developments around the setting of new CO_2 limits for cars based on the new WLPT (Worldwide Harmonised Light Vehicle Test Procedure) standard. Based on the updated standard we will set new limits that will be at least in line with the currently permitted maximum CO_2 limits. ICT promotes the lease of electrical vehicles by providing benefits to employees leasing electric vehicles.

Development of CO_2 emissions in tonnes per FTE



CO_2 emissions 2011 - 2018



In 2018 ICT achieved a reduction in CO_2 emissions of 6% per employee (2017: 6%), above the target of 2%. In 2018 for the company as a whole, scope 1 and scope 2 CO_2 emissions amounted to 3,879 tonnes (2017: 3,510 tonnes) and 1,172 tonnes (2017: 1,069 tonnes), respectively. The increase is the result of the growth of the company. More specifically, the growth in Scope 2 emissions relates to the international expansion of ICT Group. Since 2016 CO_2 emissions per FTE have been reduced by 12% (2017: 6%). This means that we have already met our target of a 11% reduction in CO_2 emissions per FTE in 2021. The consolidation of InTraffic contributed significantly to this decrease. The company will set a new CO_2 reduction target in the course of 2019, in which the expected new climate change agreement of the Dutch government will be taken into account. Furthermore, ICT increased the number of entities certified under the SKAO CO_2 performance ladder level 4 requirements from ICT Automatisering Nederland B.V. to ICT Group N.V. and its subsidiaries. InTraffic B.V. is again certified at level 5 of the SKAO CO_2 performance ladder.

Waste management

As a services provider, ICT's largest waste footprint is from office waste. Whereas we do not have a direct footprint from manufacturing, hardware is kept in packaging materials (e.g. plastic and cardboard) so there is waste from packaging.

We have set the following objectives with regard to waste based on the identification of our largest waste streams: office waste and hardware packaging:

- A 5% annual improvement with regard to the percentage of our office waste which is recycled or reused.
- A 2% annual reduction in our paper consumption.
- The elimination of paper in our invoicing, purchase orders processes and employee expense processing, where legally allowable and technically possible.

Sustainable procurement

Besides regular purchases of office supplies, a large part of our purchases concerns hardware and software. We have set the following objectives to reduce our environmental footprint:

- A 5% annual improvement in the percentage of suppliers using packaging which can be reused, recycled or composted.
- All our offices will use paper from certified sustainable forests or recycled sources in 2020.

As of next year the KPIs on waste management and sustainable procurement will be included in our CSR KPI reporting.

In our supplier selection we assess if the supplier takes Corporate Social Responsibility into account in its operations and if the supplier has an energy reduction policy in place.

Other

No incidents of non-compliance with environmental laws or regulations were identified.

In 2018 ICT Group N.V. received the Silver Medal for its Corporate Social Responsibility (CSR) achievements from EcoVadis, a leading international sustainability assessor.

MAINTAIN HIGH STANDARD OF ETHICS & BUSINESS INTEGRITY

The business decisions of ICT employees should not be influenced by factors other than business considerations. Third parties doing business with ICT must not get the impression that they can derive benefit from giving business gifts and / or other favours to individual employees. Eliciting and accepting a bribe in any form is unacceptable and will result in immediate dismissal. ICT employees and contractors will not offer payments or gifts or make certain promises to clients or third parties (or any employees thereof) in order to obtain business contracts or to positively influence a purchase or procurement procedure. ICT has outlined its anti-bribery and anti-corruption principles in its Code of Conduct.

ICT may not make payments to any political parties, organisations or their representatives. ICT and its employees will respect national and international competition laws and refrain from entering into agreements between ICT and other enterprises which may limit competition, including restrictive agreements on issues such as price, delivery conditions, market allocation, production and marketing. No incidents of corruption were reported in the year under review, nor have any legal actions been taken in this respect.

Corporate Social Responsibility governance

As Corporate Social Responsibility is high on ICT's agenda, ownership for the CSR strategy lies with ICT Group's Executive Board, as does policy-setting based on this strategy. Execution of the CSR strategy is the responsibility of ICT Group's financial controller and sustainability officer.

Progress on the CSR targets is measured by the financial controller and sustainability officer on a quarterly basis. The results are summarised in internal quarterly progress reports. The progress and results based on the KPIs are reported once a year in the Annual Report. External progress reports are prepared on a semi-annual basis with regard to specific CO_2 targets. ICT's Executive Board monitors the progress achieved on the implementation of the CSR strategy and results.

Social initiatives

ICT is eager to engage in community investment initiatives. ICT encourages employees to contribute to 'making the world a bit smarter' in a societal context, actively urging them to contribute their knowledge and expertise to meaningful initiatives including educational projects, developing tools for non-profit organisations and supporting initiatives that promote an interest in technology among young people. Other initiatives taken in 2018 included a € 25,000 donation to a number of charities during the ICT golf day and fundraising in support of Dutch cancer charity KWF Kankerbestrijding.

Q-SUITE™: VISUALIZING PRIMARY AND METASTATIC LIVER TUMORS

THE CHALLENGE

How to improve the first generation of Q-Suite™, developed by Quirem and bring it to the next level by creating a user testable proof of concept to the conversion into a product.

THE SOLUTION

The creation of the new Graphical User Interface prototype in close cooperation with Quirem. The combination of competences within the radiation oncology domain together with the expertise with the right software was a perfect fit and made a quick result possible.

QUIREM Q-Suite™ is a CE-marked proprietary software tool that can be used to verify therapy with QuiremSpheres®. QuiremSpheres are bèta radiation emitting microspheres, containing the isotope Holmium-166, that can be used for Selective Internal Radiation Therapy (SIRT). This is a minimal invasive therapy for treatment of primary and metastatic liver tumors in which high doses to the tumors can be delivered while limiting the dose related to healthy tissues.

QuiremSpheres can be visualized with both SPECT (Single Photon Emission Computed Tomography) and MR (Magnetic Resonance) imaging. This can even be done in low concentrations, enabling quantitative dose evaluation which is critical to predict clinical effect of the treatment. By calculating the 3D dose distribution based on SPECT or MR images, verification of dose-to-tumor and dose-to-tissue after the QuiremSpheres therapy can be performed. The generated 3D dose images could be imported into radiation oncology / radiotherapy software for further medical evaluation.

Developing the second generation of Q-Suite™: usability in the center of the solution

ICT Group Healthcare Solutions was involved in developing the second generation of Q-Suite™, because it has a proven track record in radiation oncology. ICT Healthcare supported the customer from the creation of a user testable proof of concept to the conversion into a product. An agile approach has been used to efficiently manage the different new requirements, activities and quality aspects. Since feedback from the field was important, the project was divided into two phases. Phase one was based on creating a field testable user interface prototype which aimed to optimize the user guidance and workflow, starting with a new prototype. Phase two, the developing of the actual product, was set-up by updating software documentation by extending and restructuring the user, system and software requirements. Simultaneously, the implementation of new Q-Suite™ features, productizing the prototype and combining the refactored and extended Q-Suite™ with the user interface was set in place. Finally, the validation process was proceeded by extending and restructuring test cases. Usability was the center of the solution.

RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

ICT Group's risk management is the responsibility of the Executive Board. Risk management forms an integral part of the company's strategy. The main objective is to control and mitigate the most significant risks that ICT Group is or may be exposed to while at the same time facilitating the realisation of operational and financial objectives. ICT Group continuously evaluates its internal controls and takes measures to improve these controls where necessary. The Executive Board regularly discusses the risk management framework with the Audit Committee and the Supervisory Board.

In 2018 ICT further strengthened its risk management and internal control framework with the appointment of an internal auditor. Due to the company's growth there is an increased need for process improvement and alignment. These and other elements are part of the internal auditor's remit. Given ICT's growth path, implementing uniform processes and controls is important to safeguard the quality of the company's solutions and services, which in turn is vital for sustainable longer-term growth. Therefore during the year under review ICT again focused on its internal controls, both at newly acquired companies NedMobiel and InTraffic and within the group as a whole, specifically internal controls aimed at cybersecurity and data protection.

Risk management and control systems

ICT has implemented internal risk management and risk control systems with a view to minimising its operating and financial risks and to limit the impact of unexpected events on balance sheet ratios and results. ICT considers risk management to be a continuous process, an essential part of which is to embed policy in control systems and procedures at every level of the organisation.

ICT's internal framework is based on Entity-level controls:

Category	Important Elements
1. Control Environment	• Management's philosophy, attitude and tone at the top • Organisational structure, key areas of authority and lines of reporting • Knowlegde & skills, policies & procedures • Oversight by Executive Board and Supervisory Board, responsibility for internal controls
2. Entity-wide Risk Assesment Process	• Identifying business risks • Evaluation of external and internal inormation • Review of regular financial reports and ad-hoc reporting • Approval of budgets, business planning documents and the business strategy
3. Communication	• Internal communication: identification and communication • External communication: Preparation and review
4. Monitoring of Controls	• Maintaining a monitoring process for entity-level and process-level controls • Change of controls • Evaluating KPIs and financial reporting results • Testing the effectiveness of controls

Important elements of ICT's Control Framework

Planning and control cycle

Risk management is an integral part of the planning and control cycle. This system includes the determination of the strategy and the budget and is the responsibility of the Executive Board. The Executive Board discusses the strategy extensively with the Supervisory Board every year. The Executive Board then translates strategic objectives into business plans and budgets in cooperation with the directors of ICT's subsidiaries. The business plan contains both a financial budget and a number of concrete business objectives per legal entity and underlying business units. These objectives are translated into Key Performance Indicators (KPIs), which are measured for progress throughout the year. Important KPIs at ICT include the capacity utilisation rate, tariffs, numbers of direct and indirect FTEs and the efficiency of the company's processes. Management evaluates these key performance indicators and financial and operational reporting to identify any deficiencies in internal controls and to monitor results.

Policies and guidelines

Management creates and maintains a culture of integrity and ethical behaviour by setting the right tone at the top. This is done by:

- leading by example;
- clear corporate governance practices;
- a code of conduct, which includes relevant policies such as prohibiting employees from accepting gifts from suppliers;
- a whistle-blower policy; and
- a quality system used to document all of ICT's significant processes.

ICT's management is receptive to employees' ethical concerns and is committed to responding appropriately to misconduct. Management demonstrates adherence through their work practices and decisions. Management enforces its views through a combination of policies and procedures. When changes are made, employees are notified and changes are implemented. Management does not provide incentives or offer temptations that might prompt personnel to engage in dishonest, illegal or unethical acts. A whistleblowing policy is in place and personnel can report suspected incidents anonymously.

ICT has an internal procedure in place, the so-called letters of representation, requiring ICT management to confirm compliance with ICT's policies and procedures. Given the growth of the company through acquisitions this process is increasingly important. This helps to provide the assurance the Executive Board needs to make its own in control statement. Responsibility and accountability for implementing systems and controls, including fraud prevention and detection, has been designated to ICT's Finance department and is embedded in the Internal Control Framework.

Performance and quality controls

Quality management is another important pillar of the company's risk management system. ICT constantly works on improving the services that it provides to customers in whatever form. Providing services in accordance with accepted standards is embedded in the organisation as a regular process. ICT has adopted various standards, including ISO standards for information security and quality management and standards related to process maturity and safety, health and the environment. Furthermore, ICT continuously monitors the measurement of and reporting on the effectiveness and efficiency of measures taken. ICT regularly evaluates this via an audit by external parties (according to the above-mentioned standards), as well as through an internal review process related to effectiveness, suitability and correspondence with agreed norms. No critical findings have come to light in the various reviews.

Monitoring

ICT provides for optimal monitoring and timely identification of risks and, if necessary, mitigation of any risks that arise, through a constant process of internal controls and measurements.

This risk management system with its control mechanisms and mitigating measures is a periodically recurring item on the agenda of the Audit Committee and, by extension, the Supervisory Board.

Sensitivity analysis

The table below illustrates the impact of changes in ICT's revenues, operating expenses, net debt and the interest rates.

	Change	Impact	On	Assumption
Revenue	+/- 1%	+/- € 1.3 million	EBITDA	Flat gross margin and no change to cost base
Operating expenses	+/- 1%	+/- € 1.0 million	EBITDA	
Interest rate	+ 100 bps	+ € 0.1 million	Financial charges	Average net debt 2018
Net debt	+/- € 3 million	+/- € 0.1 million	Financial charges	Stable interest rates

Improvements in risk management and control systems in 2018

In 2018 ICT again took important steps to further enhance its risk management and control systems.

Integration of recent acquisitions

In 2018 ICT acquired NedMobiel and InTraffic. Both acquisitions were financially integrated into ICT Group in the course of the year. NedMobiel and InTraffic operate autonomously within ICT Group but have adopted the group's reporting and controlling standards.

Cyber security

Cyber security can pose significant risks to both ICT and its customers. ICT's Chief Information Security Officer (CISO)is responsible for developing strategy and policies aimed at information security, implementation and monitoring of information security and data privacy. The CISO directs information security for the whole Group and fulfils a central role in managing all processes involved. During 2018 ICT put focus on further improvement of information security processes. In addition ICT implemented a new privacy and awareness training for all employees and a information security monitoring tool called Naris.

Internal controls

Given ICT's buy and build strategy and the ongoing expansion of the ICT Group, adequate internal controls continue to be an area of attention.
Both the strengthening of the internal control framework at the existing ICT subsidiaries, as well as the implementation of the internal controls at newly (and to be) acquired and integrated entities require constant attention. In 2018, the focus was on the integration of two new subsidiaries (NedMobiel and InTraffic), and on the improvement of internal controls in the field of cyber security and data protection.

Internal audit

In 2018 ICT appointed an internal auditor. During the year the internal auditor got acquainted with the company and set up the internal audit function. For this purpose interviews were held with business unit managers, department heads and other key staff. The internal auditor explored ICT's products, people, processes, procedures and culture, and met with the external Audit team. Based on risk assessment, a risk-based audit planning was made for the first year. The internal auditor focused on assessing the status of the GDPR implementation, project controls and the progress made implementing financial and operational controls within subsidiaries that operate autonomously.

Further certification

Security certifications were achieved for ISAE3402 type 1 for Service processes, ISO27001 for Strypes EOOD and Automotive specific security standard. ICT also extended the ISO27001 (information security) certification from 5 specific units to ICT Netherlands BV as a whole due to scaling advantages.

Focus in 2019

In 2019 ICT intends to focus on the following:

- Internal controls in the fields of finance, HR and cybersecurity will be rolled out further to our subsidiaries, particularly the companies acquired in 2018. This means more process descriptions, process improvement and alignment.
- The first steps for setting up a shared service centre for the back-office processes of ICT Group subsidiaries will be taken.
- Cybersecurity and GDPR will continue to be the main focus areas.
- The internal auditor will continue to develop and execute a group-wide risk-based Internal Audit Plan in consultation with the Executive Board, the Audit Committee and the external auditor.

KEY RISK FACTORS

ICT Group assesses all relevant risks according to the likelihood that they will occur and the impact they could have if they materialise, and ICT then assigns a weighting to those risks on that basis. The key risks we have identified are outlined below. For each risk, we indicate how these risks are mitigated, and specify our risk appetite for each risk. The order in which the risks are presented does not reflect their importance, probability or materiality. The actual occurrence of any of the following risks could have a material adverse effect on the company's business, prospects, operations, financial condition or results. All of these risks are contingencies, which may or may not occur.

Key business risks in 2018

Cyber security risks

Digital security is crucial and nowadays affects every aspect of daily life, in business and society. Information security is becoming more and more important and the complexity will only increase. ICT's solutions are mostly embedded in the heart of its customers' operations. Digital risks involve issues such as privacy, phishing, cybercrime, internet fraud and even IT terrorism. ICT runs the risk of being fined if it does not comply with the new privacy legislation that came into effect in 2018. Furthermore, the reputation risk can be very significant.

Clear policies and procedures are necessary to mitigate these risks. Providing its services in accordance with accepted standards is embedded in the organisation as a regular process. ICT has adopted various standards and obtained a number of certifications, including ISO standards for information security (ISO 27001), medical devices (ISO 13485) and quality management and standards (ISO 9001) related to process maturity and safety, health and the environment. Furthermore,

information security requires central coordination. Not only within ICT Automatisering Nederland B.V., but also in coordination with our other subsidiaries. The Chief Information Security Officer plays a pivotal role in this. Also our internal auditor is focussed on monitoring progress.
Creating awareness, not only among our own people, but also at the customer, is also vital in mitigating these risks. Every new employee receives training on information security management.

Acquisitions
ICT's growth strategy is based on both organic growth and growth through acquisitions. This strategy does entail the risk of poor integration of acquisitions. In the event that ICT acquires companies, its ultimate objective is to adequately integrate these companies into the ICT Group. When acquiring a company, there is a risk of an undesired outflow of staff and drop off of operational performance. In addition, market circumstances and forecasts may sometimes necessitate the impairment of goodwill on acquisitions. However, ICT is building a track record in the successful integration of newly-acquired companies. During 2018 ICT acquired NedMobiel and InTraffic. Progress of integration processes and business performance of these new subsidiaries were in line with expectations.

Labour market scarcity
The ability to attract and retain the right people is a key driver of growth. And this is becoming more crucial as talent is increasingly scarce. ICT strives to be an attractive employer that invests in its people and encourages entrepreneurship. ICT continuously develops and implements initiatives to reinforce this. 'Bring out the best in yourself' is how ICT approaches its HR development strategy. Important elements in this approach are employee empowerment and entrepreneurship. ICT's approach to being the employer of choice is further elaborated on in the section ICT – an ambitious employer.

Labour market scarcity also results in incremental costs to attract highly talented people. These costs can result in the risk of serious margin pressure. ICT tries to mitigate this risk by continuously moving up the value chain, where additional margin can be realised. We are also shifting toward more scalable projects and selling an increasing number of solutions. ICT has always been known for its high quality and this should also translate into higher fees. And lastly, ICT tries to create awareness at its customers that as talent is becoming increasingly scarce, it is also becoming more expensive.

New business development
Innovation is very important for the future development of the company. The pace of new technological developments is constantly increasing. ICT's focus on new business development, in combination with an acceptable risk level, is reflected in the company's commitment to invest 1.5% of the company's added value in research & development. In addition to the creation of solutions tailored to the customer's requirements, ICT increasingly develops proprietary solutions. Furthermore ICT is also responding to the relatively new low-coding trend in software development using its Motar solutions for the high-tech and automotive industries.

These new business development initiatives bring broader opportunities but also carry a higher risk. The impact can be even greater in initiatives where ICT takes on different roles, such as that of technology partner, supplier or customer of start-ups. This relationship with start-ups can also entail financial risk (risk of bad debt or impairment).

New business models

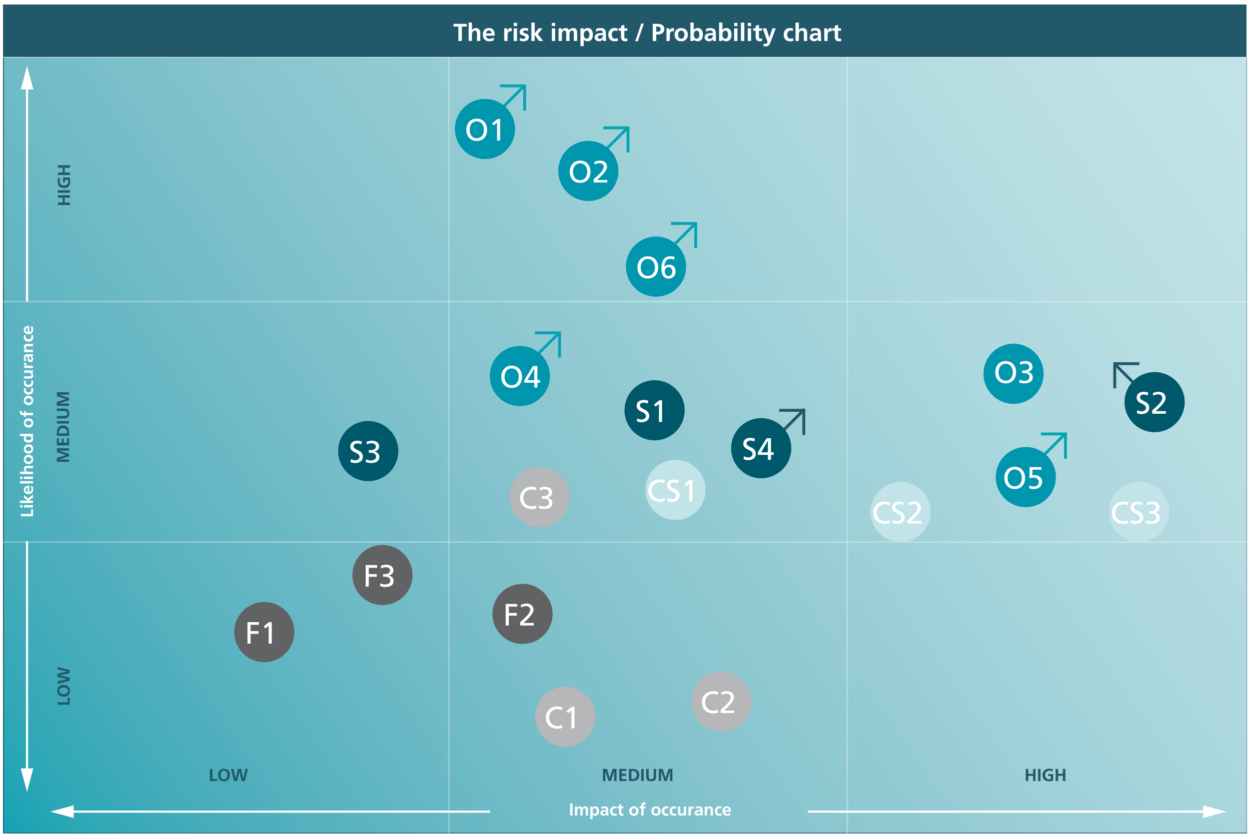
The establishment of OrangeNXT provides increased focus on Software as a Service offerings. This business model is robust and increases ICT's recurring revenue stream while also having a different dynamic and risk profile. Business models such as this require relatively more investment in software development than traditional business models. Also, more cash is required in the start-up phase and revenue is generated later in time. Given the relatively small scale of these initiatives and the company's restricted investment of around 1.5% of added value for Research & Development, ICT takes a prudent approach toward such investments.

Inadequate project control

Projects can be complex due to the scale, the desired functionality, the applied technology or the involvement of several parties. This can result in financial risks in projects for which ICT Group bears result responsibility. ICT works continuously on an optimally functioning internal quality and control system to minimise the risks related to the execution of projects and assignments. To ensure continuity in the event of claims, ICT has a general and professional liability insurance. As the projects ICT is involved with are increasing in size, both the impact and the probability of the associated risks are likely to increase and will be addressed with appropriate risk mitigation measures.

These developments and trends can also be seen in the map below:

Impact and trends risks in 2018



Strategic risks
S1: Sensitivity to economic cycles
S2: Speed of technological developments
S3: Multidimensional relationships
S4: New business development / start ups

Operational risks
O1: Shortage of qualified staff
O2: Incremental costs to attract highly talented people
O3: Dependence on large clients
O4: Inadequate project control
O5: Unsuccessful integration of acquisitions
O6: New business models

Operational risks
CS1: Unauthorised access to ICT systems
CS2: Unauthorised access to customer systems
CS3: data breach

Financial risks
F1: Reporting risks
F2: Inadequate funding
F3: Credit risk

Compliance risks
C1: Failure to comply with legislation
C2: Fraud and corruption
C3: Increased potential liabilities

Shows movement

Principal risk areas

The following overview of the principal risks for ICT is not exhaustive. It is also possible that risks that have not currently been identified, or that are not regarded as material, will have a significantly adverse effect on ICT's ability to achieve its objectives at a later date. ICT's internal risk management and risk control systems are, in as far as possible, geared to the timely identification of such risks.

	Key risks	Mitigation	Risk appetite
Strategic risks			
S1	Sensitivity to economic cycles	• Maintain a leading position • Develop appropriate solutions as effectively and efficiently as possible • Make clear choices regarding strategic positioning • Spread activities across different markets, mix between different themes • Continuous monitoring of sales funnel and horizon	Low to Moderate
S2	Speed of technological developments	• Alert response to changes affecting clients and markets • Invest in new technologies, products and people • Continuous training and education of professional staff • Partnerships to stay at the forefront of technological developments	Moderate
S3	Multi-dimensional relationships	• Limit the exposure to 1.5% of annual revenue • Periodic monitoring of the mix and exposure to multi-dimensional relationships • Regular reviews with management of associated companies	Low to Moderate
S4	New business development, including collaboration with start-ups	• Disciplined approach with start-ups • Limit the outstanding receivables related to start-ups	Low to Moderate
Operational risks			
O1	Shortage of well-qualified staff and inability to retain qualified staff.	• HR policy aimed at making ICT the employer of choice • Enable entrepreneurship and initiatives • Create a sufficiently challenging environment • Invest in relationships with schools and universities	Low
O2	Incremental costs to attract highly talented people	• Offering higher added value solutions • Maintain high quality • More scalable projects • Increase awareness at customers that talent is becoming more expensive	Moderate
O3	Dependence on large clients	• Broaden the client base, invest in sales • Offer more added value to increase clients' dependency on ICT	Moderate
O4	Inadequate project and assignment control	• Continuous improvement of internal quality and control systems • Qualified management with adequate competencies and business and IT knowledge • Continuous training and education of project staff	Low to Moderate
O5	Unsuccessful integration of acquisitions or joint ventures	• Prudent decision-making process in acquisition phase • Disciplined and standardised integration process, including connectivity to ICT's enterprise systems • A welcome programme for new colleagues	Moderate

	Key risks	Mitigation	Risk appetite
O6	New business models / license selling, software as a service	• Close involvement of legal department and external legal advice where needed • Apply lean start-up methodology with frequent reviews and interventions	Low to Moderate
Cyber security risks			
CS1	Unauthorised access to ICT systems	• Continuously increase resilience of the ICT systems • Ongoing security testing • Ongoing awareness training and programs for ICT staff	Low
CS2	Unauthorised access to (ICT developed) customer systems	• Security & privacy protocols as integral part of delivery of systems • Increase awareness at customer through training • ISO 27001 certifications	Low
CS3	Data breach	• Update and implementation of data breach and privacy policies • Clear procedures are in place for data collection and storage • Ongoing awareness training and programmes on own platforms • Regular audits	Low
Financial risks			
F1	Reporting risks	• Internal procedures and guidelines for internal and external reporting (Internal Control Framework) • External audit and supervision by the Audit Committee • Implementation of a consolidation tool • Internal letter of representation process in place	Low
F2	Inadequate funding	• Ensure adequate financing facilities, both for acquisitions and working capital • Operate well within the covenants agreed with the banks	Low
F3	Credit risk	• New customers are analysed individually for creditworthiness, including external ratings • Global credit insurance for all group companies	Low
Compliance risks			
C1	Failure to comply with laws and legislation	• Continuous monitoring of laws and regulations • Close involvement of legal department and external legal advice	Low
C2	Fraud and corruption	• Internal Control Framework that includes various preventive and detective controls, including fraud aspects • Corporate governance system • Appropriate levels of delegation of authority to sign policy	Low
C3	Increased potential liability following changes in contractual conditions (as a consequence of change in product / service mix)	• Close involvement of legal department and external legal advice in contractual agreements • Appropriate general and professional liability insurance	Low

EXECUTIVE BOARD'S IN CONTROL STATEMENT

The Executive Board is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility, the Executive Board has made an assessment of the effectiveness of the design and operation of the internal control and risk management systems. In accordance with best practice 1.4.3 of the Dutch corporate governance code of December 2016 and taking into account the aforementioned assessment, the Executive Board confirms to the best of its knowledge and belief, that:

- the report provides sufficient insights into any deficiencies in the effectiveness of the internal risk and control systems;
- the internal risk management and control systems of the company provide reasonable assurance that financial reporting does not contain any material inaccuracies;
- there is a reasonable expectation that ICT Group will be able to continue its operations and meet its liabilities for at least twelve months, therefore, it is appropriate to adopt the going concern basis in preparing the financial reporting; and
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of ICT Group's operations in the coming twelve months.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

EXECUTIVE BOARD RESPONSIBILITY STATEMENT

The Executive Board is responsible for preparing the financial statements and the annual report in accordance with Dutch law and International Financial Reporting Standards (IFRS as adopted in the EU). Pursuant to article 5:25c of the Financial Supervision Act, the Executive Board, taking into account the above, confirms that, to the best of its knowledge, (i) the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and (ii) the Report of the Executive Board includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year, (iii) together with a description of the principal risks and uncertainties that the company faces.

Barendrecht, 28 February 2019

Executive Board
J.H. Blejie
W.J. Wienbelt

smarter cities

FIFTEEN WASTEWATER TREATMENT PLANTS IN ONE HIGH-TECH CONTROL ROOM

“Integrated Project Management and integration of the entire IT configuration proved highly valuable in this project“

IT SOLUTION SAFEGUARDS INTEGRATED OPERATION OF WASTEWATER TREATMENT PLANTS

THE CHALLENGE
How to achieve a more user-friendly, reliable and efficient wastewater treatment process for the Rijnland District Water Control Board.

THE SOLUTION
A high-tech control room with a uniform control system and detailed control information.

Water authorities play a pivotal role in the Netherlands, which is also reflected in the Rijnland water board's slogan 'Dry feet, Clean water'. The water board's key activities include providing protection against the sea and flooding, maintaining the correct water level in polders and urban areas, and ensuring clean and healthy water in lakes, canals and ditches.

Another important task they perform is the treatment of domestic and industrial wastewater in their operating area, which covers Wassenaar, IJmuiden, Amsterdam, Gouda – in short: large parts of the provinces of North and South Holland. With a catchment area with over 1.3 million inhabitants, the Rijnland water board is the largest water authority in the Netherlands.

Michiel Bonnema, René Smit (middle) and Roel de Backer: "Collaboration with a human factor"

Rene Smit, Environmental Manager in the IPM team (Integrated Project Management) of the Rijnland water board: "Just over seven years ago, the water authority identified a suboptimal performance level of the process automation in a number of Rijnland's wastewater treatment plants. With the end of their technical life cycle soon approaching, several hardware components also needed to be replaced. At the same time, there was a need for a more centralised, i.e. remote, control and coordination system for the signalling and operating panel for all 15 wastewater treatment plants and 70+ pumping stations. And so the idea was born to develop a high-tech Control Room – or Central Processing Room (CPR) – located at Rijnland's head office."

Building software like LEGO blocks

Michiel Bonnema, Project Manager at the Rijnland water board (contracted through project management consultancy agency Balance): "The decision to design and configure the Control Room was prompted by increasingly stringent requirements for reliability and cybercrime prevention, as well as the need for more convenience and improved control of energy efficiency. In addition, wastewater treatment plants must comply with strict regulations and standards. Efficiency will also increase significantly, for instance, due to a decrease in the need for local and partially manual operation. All these factors combined and the water authority's wish to upgrade the process automation across all wastewater treatment plants, made this project a great challenge." René Smit adds: "We first launched a pilot project at our Haarlem-Waarderpolder wastewater treatment plant."

FACTS & FIGURES:

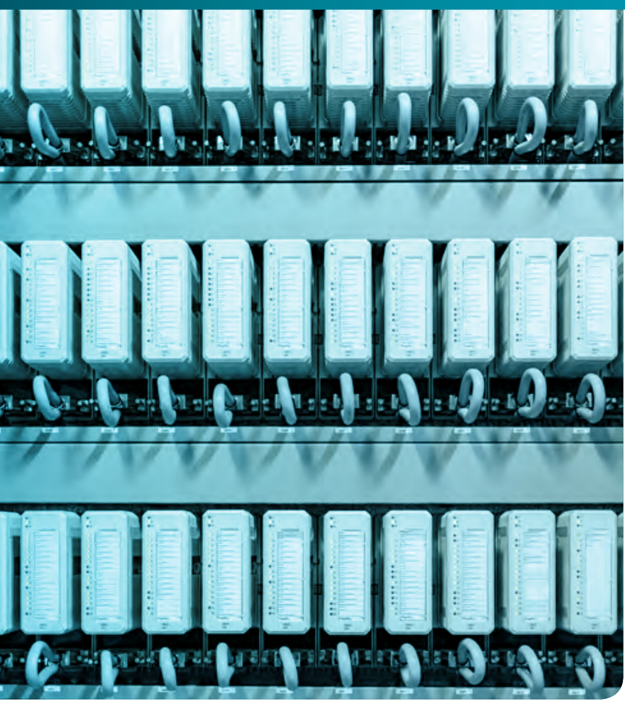
Catchment area:
1.3 million inhabitants

Units of pollution:
1.9 million

15 wastewater treatment plants

71 pumping stations

25,000 I/O points



"And this is where ICT Group comes in", says **Roel de Backer**, Cluster Director in ICT Group's Infrastructure & Mobility division. "We developed a software library based on pre-defined software building blocks, which can be combined and used across all wastewater treatment plants using a state-of-the-art software generation tool. By developing flexible software building blocks – LEGO blocks, so to say – we not only achieved a uniform software engineering model in terms of use and look & feel; we also anticipated the further implementation for each individual wastewater treatment plant. A single foundation for future updates was also established, ensuring efficient manageability.

Thirteen subprojects awarded to ICT Group

Michiel Bonnema: "The control room project was followed by two tenders for framework agreements: one for engineering services and management, and one for system integrators." Roel de Backer: "ICT Group was awarded the framework agreement for system integrators and managed to procure six out of fifteen subprojects. Separate requests were then issued for each of the subprojects (one per plant). Three engineering firms were involved in the process. A functional design (FD) was developed for each project, including project specifications based on general model specifications. These requests were then issued to the selected system integrator. The first stage of the project involved developing the supplied functional design (FD) and creating a technical design (TD) for the process automation for each plant and its pumping stations, including the related input / output lists. The design had to be based on process automation architecture and comply with the standards set by the Rijnland water board. In addition to ICT Group, two other system integrators were selected to whom the remaining eleven subprojects were awarded. However, two subprojects were terminated in the course of the project. Moreover, ICT Group took over the infrastructure activities of one of the parties, as well as two other projects from another party. This means that, in the end, ICT Group was awarded a total of thirteen out of fifteen subprojects."

Integration of the entire configuration

The ultimate objective of the project was to supply, install, program, test, commission, and document the software and hardware required for process automation. This consisted of three components, including multiple ABB IT applications for the control panel. A second component is the T-Box used to control the pumping stations. The third and final component is special visualisation software supplied by Schneider Electric. These three IT components had to be integrated into a single software application. The project included the design, supply, installation and operational deployment of electrical installation components – all in all, a large integrated project with as many as 25,000 input / output points. Roel de Backer: "By integrating the entire IT configuration at each individual wastewater treatment plant, as well as within the Control Room, Rijnland is a true pioneer."

Investment in preliminary process and a holistic approach

Roel de Backer: "During the implementation of the software library, we set up a pool of experts, including software engineers, e-engineers and project managers. This proved a huge success, as it enabled us to adopt a flexible approach to heavy workloads. At the peak of the implementation process, we were working on as many as ten wastewater treatment plant projects simultaneously, so the extra support from the pool of experts was certainly a plus." René Smit says: "An added bonus was the switch to Integrated Project Management (IPM) – a management methodology for major infrastructure projects. This method is based on the principle that a manager is assigned to each aspect of a project. These managers together comprise one integrated project team. The major advantage of this method is the uniformity, thereby improving manageability of the separate subprojects, and limiting budget overruns. In my capacity as Environmental Manager in the IPM project team, my responsibilities include acceptance of the project among the relevant stakeholders (both internal and external), and ensuring the project is embedded." Michiel Bonnema: "Another bonus is the delivery reliability of the selected solutions supplied by global players such as ABB and Schneider Electric. Moreover, these solutions ensure a high level of stability, security and information security."

Collaboration with a human factor

The collaboration among all parties involved was also a great success. "The human factor was one of our main priorities, focussing on the mutual interests of everyone involved. Even at the most challenging times – which you are bound to run into at some point during projects of this magnitude – we would consult with each other to find a solution", says Michiel Bonnema. Roel de Backer: "Eight of the wastewater treatment plants covered in the thirteen subprojects have now been completed. We intend to conclude the project in November 2019. If anything, this project has proved that IT safeguards the integrated operation of wastewater treatment plants!" René Smit: "ICT Group has the scope and expertise to efficiently and effectively manage complex projects." Michiel Bonnema concludes: "We're already anticipating the next phase: optimisation of the KPIs in the Control Room, big data integration, and intelligent sensor technology. The world of IT is constantly evolving."

CORPORATE GOVERNANCE

Introduction

Corporate governance is the framework of practices, rules and regulations that ensure ICT's accountability and transparency to its stakeholders. It also includes ICT's code of conduct, clear business principles and the whistle-blower policy.

Roles and responsibilities

ICT Group N.V., a public limited liability company incorporated under Dutch law with its registered office in Barendrecht, the Netherlands (the 'Company') is the parent company of the ICT group of companies. The Company's shares have been listed on Euronext Amsterdam since 1997. The Company qualifies as a 'large company' (structuurvennootschap) within the meaning of the Dutch Civil Code and applies the relevant rules of Dutch corporate law.
The Company has pursued a consistent policy to align its corporate governance with Dutch law and the Dutch Corporate Governance Code. The Company will continue to enhance transparency and communications with investors and other stakeholders in the Company.
In this report, the Company addresses its overall corporate governance structure and states to what extent it applies the principles and best practice provisions of the Dutch Corporate Governance Code 2016. Relevant substantial changes in the Company's corporate governance structure are proposed for approval to the General Meeting of Shareholders.
More detailed information on ICT's corporate governance and the related rules and regulations can be found on the Company's website (https://ict.eu/about-us/investor-relations/).

Executive Board

The Company has a two-tier board structure, comprising an Executive Board and a Supervisory Board. The Executive Board is responsible for the management of the Company and for determining the long-term objectives and strategy, financing, compliance with relevant laws and regulations and the management of risks. In accordance with the Company's objectives and Dutch law, the Executive Board manages the Company, taking into account the interests of all relevant stakeholders. The Executive Board is supervised by the Supervisory Board.
The Executive Board provides the Supervisory Board with all the information the Supervisory Board needs to fulfil its responsibilities. Certain decisions of the Executive Board require the approval of the Supervisory Board, as laid down in the Executive Board regulations, which can be found on the Company's website.
In addition to legal regulations, these regulations describe how the Executive Board works.

Appointment of members of the Executive Board

Members of the Executive Board are appointed by the Supervisory Board. The Supervisory Board shall inform the General Meeting of Shareholders and the Works Council in advance of a proposed appointment.
The members of the Executive Board are appointed for a term of four years. This term expires at the end of the General Meeting of Shareholders to be held in the fourth year after the year of their appointment. Reappointment is possible for consecutive terms of four years. Members of the Executive Board may be suspended or dismissed by the Supervisory Board. In the event of a dismissal, the General Meeting of Shareholders shall be consulted.

Supervisory Board

The Supervisory Board is responsible for supervising and advising the Executive Board and overseeing the policies of the Executive Board and the general course of affairs of the Company and its business. The Supervisory Board supervises how the Executive Board determines the long-term value creation strategy and how the Executive Board implements that strategy. Supervision also focuses on the set-up and operation of internal risk management and related control systems, the financial reporting processes, compliance with legislation and regulations, corporate social responsibility and the activities of the Executive Board regarding the culture within ICT. In fulfilling its responsibilities, the Supervisory Board is guided by the interests of the Company, its business and the interests of all relevant stakeholders.

Under Dutch law and in accordance with the provisions of the Code, the Supervisory Board is a separate body that is independent of the Executive Board and all its members are independent.

The Supervisory Board has two separate committees: the Remuneration and Appointment Committee and the Audit Committee. The Supervisory Board as a whole is responsible for the supervisory tasks. The Supervisory Board works according to the Supervisory Board regulations that include a detailed description of its tasks and responsibilities. These regulations also contain the tasks and responsibilities of the Remuneration and Appointment Committee and the Audit Committee and can be found on the Company's website.

Appointment of members of the Supervisory Board

The members of the Supervisory Board are appointed by the General Meeting of Shareholders based on a nomination of the Supervisory Board.

The Supervisory Board informs the general meeting and the Works Council simultaneously of the nomination. The General Meeting of Shareholders and the Works Council may recommend to the Supervisory Board persons for nomination as Supervisory Board members. The Supervisory Board shall for that purpose inform the General Meeting of Shareholders and the Works Council in a timely fashion when a vacancy is to be filled. The general meeting may reject the nomination of the Supervisory Board with an absolute majority of the votes cast, representing at least one-third of the issued capital.

For a third of the members of the Supervisory Board, the Works Council has the right to recommend a candidate. The Supervisory Board may object to this recommendation if it considers the recommended person to be unsuitable to fulfil the duties of a Supervisory Board member, or if it believes that the Supervisory Board would not be properly composed if the appointment were made according to said recommendation. The Supervisory Board must inform the Works Council of its objection and consult with the Works Council to reach agreement on the nomination. If no agreement can be reached, the Enterprise Chamber of the Amsterdam Court of Appeal can be asked to render a decision on the objection.

Members are appointed for a period of four years and may be re-elected for another four years in compliance with the Corporate Governance Code. A Supervisory Board member may thereafter be reappointed again for a period of two years and that appointment can in principle be extended by at most two years. In the event of a reappointment after an eight-year period, the reason for said reappointment will be explained in the report of the Supervisory Board. The members of the Supervisory Board can only be dismissed by the Enterprise Chamber of the

Amsterdam Court of Appeal. The entire Supervisory Board shall resign in the event the General Meeting of Shareholders adopts a motion of no confidence against the Supervisory Board. A Supervisory Board member may be suspended by the Supervisory Board; the suspension will end by operation of law if the Company has not applied to the Enterprise Chamber to dismiss the member within one month after the commencement of the suspension.

The Supervisory Board is assisted by the Company Secretary. The Company Secretary will ensure that correct procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. Furthermore, the Company Secretary assists the Chairman of the Supervisory Board in the actual organisation of the affairs of the Supervisory Board. The Company Secretary will, either on the recommendation of the Supervisory Board or otherwise, be appointed and may be dismissed by the Executive Board following the approval of the Supervisory Board. Following their appointment, all members of the Supervisory Board follow an introductory programme, which covers general, financial and legal affairs, financial reporting by the Company, any specific aspects that are unique to the Company and its business activities, and the responsibilities of a Supervisory Board member. Any need for further training or education of the members is reviewed annually.

General meeting of shareholders

An Annual General Meeting of Shareholders is held once a year in Barendrecht, Rotterdam or Amsterdam, such within six months of the end of the financial year. Extraordinary General Meetings of Shareholders may be convened by the Executive Board or the Supervisory Board if deemed necessary and by shareholders representing 10% of the issued capital after judicial authorisation. Meetings are convened by public notice sent by way of an announcement published electronically, which will be immediately and permanently accessible to the general meeting, for at least 42 days prior to the (Extraordinary) General Meeting of Shareholders. Those shareholders who alone or jointly represent at least 3% of ICT's issued share capital may request items be added to the agenda of the General Meeting of Shareholders. Such a request will be granted if it is received in writing at least 60 days before the meeting, stating the reasons for said request. Every shareholder is entitled to attend the meeting and to speak and vote during the meeting. Each share carries one vote. The specific powers and responsibilities of the General Meeting of Shareholders are described in the Articles of Association that are available on the Company's website. An amendment of the Articles of Association requires the approval of the General Meeting of Shareholders.

Purchase and issue of (rights to) shares

The Annual General Meeting of Shareholders on 9 May 2018 resolved to authorise the Executive Board, subject to approval of the Supervisory Board, to acquire fully paid-up 48 ordinary shares in the Company's own capital to a maximum of 10% of the subscribed capital of the Company within the limits of the Articles of Association for another 18 months as of 9 May 2018. In addition, the Annual General Meeting of Shareholders resolved to authorise the Executive Board, subject to the approval of the Supervisory Board, to issue shares or grant rights to acquire shares in the Company, as well as to restrict or exclude the pre-emptive right pertaining to such shares for 18 months as of 9 May 2018. This authorisation is limited to a maximum of 10% of the number of shares issued as of 9 May 2018, plus 10% of the issued capital in connection with or on the occasion of mergers, acquisitions or strategic alliances.

Stichting Administratiekantoor Participatieplan ICT (STAK)

ICT introduced an equity participation plan for all ICT employees with a permanent employment contract. Once per calendar year the employees are given the opportunity to purchase ICT shares at a 13.5% discount on the stock exchange price. After three years, each employee will receive, for every four shares purchased, a cash bonus equal to the market value of one ICT share at the time the cash bonus becomes payable. Employees may participate in the plan for a minimum amount of € 500 and maximum amount of € 5.000 per year. Shares bought at a 13.5% discount are subject to a lock-up period of three years. Even if the employment is terminated before the end of the lock up period, the shares remain blocked until the end of the lock up period. During this period the shares cannot be sold.
The cash bonus is payable if the employee is still employed by ICT after the three year lock up period. If an employee retires during the lock up period, his or her rights to a cash bonus will sustain.
Shares purchased under the participation plan are administered by Stichting Administratiekantoor Participatieplan ICT (STAK) that will issue one depositary receipt in exchange for one share. Depositary receipts for shares follow the share price, but have different rights. Economic benefits such as the right to dividend belong to the holder of the depositary receipt. Legal ownership (including the right to vote) lies with the STAK. The board of the STAK exercises the voting right on the shares it administers.

Anti-takeover measures

As a means to protect the Company and its stakeholders against an unsolicited attempt to obtain (de facto) control of the Company, the Company's Articles of Association authorise the Executive Board and the Supervisory Board to issue (rights to) preference shares to Stichting Continuïteit ICT (Stichting) under an option agreement entered into between the Company and the Stichting. The objective of the Stichting is to safeguard the interests of the Company, its business and all its stakeholders. Based on the option agreement, the Stichting may subscribe for a number of preference shares equal to the number of the outstanding ordinary shares in the Company less one. The issuance of preference shares is an anti-takeover measure. When taken, this protective measure is temporary in nature and would enable ICT to judge any (hostile) situation on its merits and / or to explore alternatives. The Stichting has a credit facility to enable it to pay the amount to be paid up on the shares. This amount equals 25% of the nominal value of the protective preference shares issued. As at 31 December 2018, no protective preference shares had been issued. The Stichting has an independent board. As at 31 December 2018, the board consisted of the following members:
Mr. H.J.A. Knijff (chairman), Mr. R. ter Haar, Mr. P.F. Plaizier and Mr. J.C.M. Schönfeld.

Adherence to the Dutch Corporate Governance Code

ICT complies with the provisions of the Dutch Corporate Governance Code 2016, with only a few deviations as described below. The Dutch Corporate Governance Code is available at www.mccg.nl.
Best practice provision 2.7.2 (ii): There is no regulation covering private investments by members of the Supervisory Board or members of the Executive Board other than securities issued by ICT Group N.V.

Members of these boards are already subject to general legislation and regulations.
Best practice 3.4.1: Performance criteria for the variable remuneration of members of the Executive Board are described in general terms but not fully disclosed, as they contain sensitive information and could contain information of an otherwise confidential nature that ICT Group may not want to disclose.
Best practice 4.2.3.: Meetings between ICT Group and analysts, the press and / or investors will not be webcast due to cost considerations. The dates of the analyst and press meetings will be published on the website in advance and the presentation will be made available on the website.

Diversity

ICT aims for diversity not only in terms of experience, but also in terms of nationality, gender and age at all levels within the Company. With the exception of gender diversity, the composition of both the Executive and Supervisory Board is diverse.
The Company currently does not have the desired allocation of seats to men and women on the Executive and Supervisory boards. There are currently no female members on the Executive Board, the Supervisory Board has one female member.
Any recommendation to the General Meeting of Shareholders for appointments of Executive and Supervisory Board members takes into account experience, background and other diversity factors.
ICT strives to have at least 30% females among the members of its Supervisory and Executive Boards.
As regards senior management and in order to improve gender diversity throughout the Company, the Company focusses on fostering female talent across the group, encouraging women's networks and mentoring programmes and promoting gender equality in general.

ICT employs people from all over the world, covering some 30 different nationalities, bringing a diversified range of cultures to ICT's work force. ICT supports these international employees in the integration process and offers all the help it can on the social front and with other more practical day-to-day issues.

Business ethics and compliance

ICT clearly communicates the framework of business ethics and procedures are in place to safeguard adherence to and compliance with principles and policies. If and when employees raise ethical concerns, ICT is committed to responding appropriately to misconduct. All ICT companies and ICT-operated joint ventures must comply with the laws and regulations of the countries in which they operate, such as the relevant legal standards regarding the health and safety of employees, third parties and the environment, and must conduct their activities in line with the ICT Code of conduct and our core values. Respect for human rights is embedded in the Code of Conduct. ICT makes strong efforts to create a positive, transparent working environment that is free from discrimination, harassment and / or intimidation and in which all employees have equal access to information and opportunities.
Employees are encouraged to report any violation of any of the standards and practices as laid down in the Code of Conduct. Such report may be made anonymously via the Company's Whistle-blower Policy, as posted on the Company's website. In the past year, no such incident has been reported. These policies, the Code of Conduct and the Whistle-blower Policy, are clearly brought to the attention of all new employees.

Declarations

In 2018, there were no transactions of material significance that involved a conflict of interest for any member of the Executive Board or Supervisory Board. No transactions of material significance were conducted between ICT Group and any natural person or legal entity holding more than 10% of ICT Group's shares.

In the event of a take-over, change of control clauses in contracts are not expected to have a significant impact on the financial performance of ICT.

The statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag*) can be found on our website.

The information related to inclusion of the information required by Article 10 of the Takeover Directive, as required by article 3b of the Decree, is included in this report in the sections Shareholder information, Corporate Governance, Declarations and Remuneration report.

FAST AND FLAWLESS MIGRATION OF A PROCESS CONTROL SYSTEM FOR FUEL DISTRIBUTION

THE CHALLENGE

How to migrate the outdated process control system for fuel distribution on the islands of Curaçao and Bonaire to a new one in order to avoid immediate shortage of fuels.

THE SOLUTION

Replace the old process control system by a state-of-the-art system, including integrated web security and optimal client user-friendliness.

On the islands of Curaçao and Bonaire, the loading of trucks and ships with fuel from storage tanks and the pumping of kerosene through a pipeline was managed by an outdated process control system. If the system failed, the distribution of fuels would grind to a halt. This would lead to an immediate shortage of fuels, an economic catastrophe for both islands. Oil company Curoil decided to migrate the outdated operating system to a new one, based on Siemens PCS (Process Control System) 7 technology. Because of its expertise and based on positive experiences in the past, the contract was awarded to ICT Group Industrial Automation Solutions.

Replacing the PLC, server and operating stations

The migration to the new system involved the renewal of several key components. First, the old PLC was replaced by a state-of-the-art Siemens PLC, containing a new control logic and innovative Profinet programmed by ICT Group. By using the same switches and buttons, an extensive I/O testing was avoided. Secondly, the old server and two operator stations were replaced. The new server was also fitted with web server functionality, making the operator stations accessible online. Web security was updated to current standards. The migration was scheduled to happen in a single day. Curoil operators were very satisfied with the user-friendliness and the extended functionalities of the new system, which maintained the same look and feel as the old one. This shortened the adoption period and allowed the operators to quickly find their way with the new system. The new system also had to be outfitted with new functionalities, such as the possibility to repump diesel back from the ships to the storage tanks.

REPORT OF THE SUPERVISORY BOARD

Introduction

We are pleased to present the 2018 ICT Group Supervisory Board report. In 2018 ICT Group continued to grow through organic growth and acquisitions. The company achieved an organic growth of 6%, mainly attributable to a growing client base, additional hires and higher productivity levels at ICT Netherlands. In the year under review ICT Group acquired the remaining 50% stake in InTraffic and completed the acquisition of NedMobiel. Furthermore the company established OrangeNXT, focused on ready-to-use software solutions offered as Software as a Service. This is an important step that enables ICT Group to seize opportunities in the high-growth areas where its proprietary software solutions can play a significant role.

Financial statements for 2018

The Supervisory Board discussed the 2018 financial statements as prepared by the Executive Board in its meeting on 28 February 2019. The Audit Committee discussed the financial statements and the audit findings in detail with the external auditor, PricewaterhouseCoopers, in its meeting of 21 February 2019. The Supervisory Board discussed the financial statements in the presence of the external auditor. Following the review of the Independent Auditor's Report issued by PricewaterhouseCoopers as well as its findings as summarised in a report to the Supervisory Board and the Executive Board, the Supervisory Board adopted the financial statements. The Independent Auditor's Report is presented on page 155 of this Annual Report.

The Supervisory Board recommends that the Annual General Meeting of Shareholders, to be held on 15 May 2019, adopt the financial statements for the 2018 financial year and discharge the Executive Board and the Supervisory Board for their management and supervision respectively in the year under review.

Furthermore the Supervisory Board endorses the Executive Board's proposal to the General Meeting to distribute a dividend of € 0.38 per share for 2018. The dividend will be an optional dividend, payable in either cash or shares on 5 June 2019.

Supervisory Board activities in 2018

In the year under review the Supervisory Board held nine meetings that were attended by the Executive Board. Five meetings were held at the offices of ICT in Barendrecht and two at Amsterdam Schiphol, two meetings were by telephone. Prior to each face-to-face meeting the Supervisory Board met in a closed session without the members of the Executive Board except for the agenda items where the presence of the CEO was warranted. All Supervisory Board members were present at every meeting, except for one meeting where one supervisory board member could not be present. Furthermore the Chairman held regular working meetings with the CEO, while the CFO and the Chairman of the Audit Committee also had regular working meetings. Individual Supervisory Board members contacted each other for updates and consultation if and when deemed useful.

ICT's new 'Develop the Future' strategic roadmap for 2022 was an important topic at a number of

Mr. D. Luthra, Mr. Th.J. van der Raadt, Mrs. G.A. van der Werf and Mr. F.J. Fröschl.

meetings. The strategy update, prepared by the Executive Board, was extensively discussed and challenged. The update, including new financial objectives, was presented during a well-attended Capital Markets Day – the first of its kind for ICT Group – in November 2018. Furthermore acquisitions and the subsequent integration were again discussed regularly during the various meetings. Monitoring the progress made towards integrating the acquired companies and evaluating the assumptions made at the time of the acquisitions are important focus areas for the Supervisory Board. In 2018 the acquisition of the remaining 50% stake in InTraffic was on the agenda, as was the integration of NedMobiel and the monitoring of progress on earlier acquisitions. The establishment of OrangeNXT following the acquisition of the remaining 49% stake in ICT Mobile was another important strategic step for the company that was extensively discussed. The launch of the new Motar platform, responding to the low-coding trend in software development, was also discussed at one of the meetings.

The Supervisory Board monitored the design and increased effectiveness of ICT's risk management framework through regular updates on developments and improvements. Following a decision at the end of 2017 an Internal Auditor was appointed from May 2018, reporting to the CEO and the Chairman of the Audit Committee.

Attracting and retaining talents continues to be one of ICT's main priorities in the current tight labour market. The actions (to be) taken were discussed, including cooperation with universities and an increased number of internships. Employee satisfaction is key to retaining talents and this was extensively discussed, as well as topics such as maintaining and enhancing ICT's entrepreneurial culture and inclusiveness. The results of these actions were extensively evaluated and discussed by the Remuneration and Appointments Committee and the Executive Board, and reported on to the full Supervisory Board.

Key topics throughout the year included ICT's financial performance, cash flow and working capital. The Supervisory Board had regular scheduled meetings preceding all key reporting dates. Performance versus budget and the group's financial position were closely monitored and regularly reviewed. The Supervisory Board also discussed integrated reporting and the implementation of reporting on non-financial information. The external auditor was present at all Audit Committee meetings and at the Supervisory Board meeting at which the full-year results were discussed. The follow-up and implementation of recommendations made by the external auditor were closely tracked and monitored.

Composition of the Supervisory Board and Executive Board

Supervisory Board members are appointed for a period of four years and may then be reappointed once for another four-year period. Supervisory Board members may subsequently be reappointed for a period of two years, a term that can in principle be extended for no more than two years. In the event of a reappointment after an initial eight-year period, the reason for said reappointment is explained in the Report of the Supervisory Board.

Mr. Sinoo, whose second term ended in 2018, stepped down from the Supervisory Board at the Annual General Meeting of Shareholders (AGM) in May 2018. At the same meeting Mrs. Van der Werf was appointed to the Supervisory Board for a four-year term. In anticipation of the forthcoming retirement of Mr. Fröschl, whose second term ends in May 2019, the Supervisory Board started the search for a new member. This resulted in the nomination of Mr. Van de Bunt to be appointed at the AGM in May 2019 for a period of four years until the AGM in 2023. The reappointment of Mr. Van der Raadt, Chairman of the Supervisory Board whose second term ends on 15 May 2019, will also be on the agenda at the next AGM. His proposed reappointment would be for a two-year period until the AGM in 2021. This is in line with the Dutch Corporate Governance Code and ensures sufficient continuity in the Supervisory Board by preventing a situation in which two of the four members would be stepping down simultaneously. Both nominations will be made under the condition that the AGM does not make use of its right of recommendation. Following the proposed appointment and reappointment, the Supervisory Board will consist of Theo van der Raadt (Chairman), Deepak Luthra, Gina van der Werf and Wouter van de Bunt. The intention is for Mr. Van de Bunt to become a member of the Audit Committee in place of Mr. Van der Raadt who will continue to be a member of the Remuneration and Appointment Committee.

After the AGM in May 2018 the Supervisory Board reappointed Mr. Blejie and Mr. Wienbelt as CEO and CFO, respectively, on the Executive Board for a period of four years until the AGM in 2022. Furthermore, in February 2018 Mr. Jansen was appointed Chief Operating Officer (COO) of ICT Group, a non-statutory role in which he is responsible for the operational execution of the corporate strategy of ICT Group.

Profile and diversity

A description of the Supervisory Board's profile is available on ICT's website www.ict.eu. The updated profile was presented for discussion to the AGM in 2018. If and when a position becomes available the general profile may be expanded with a more detailed description of the required experience and background for a specific vacancy so that the Supervisory Board as a whole has the right experience and background to fulfil its tasks. The proposed appointment of Mr. Van de Bunt will bring further in-depth experience in strategic and financial areas relevant to our industry. The Supervisory Board currently consists of four members. The members bring a broad range of skills and experience to the Supervisory Board from a wide array of backgrounds and industries. ICT aims for diversity not only in experience and background (including cultural background), but also in gender and age. When proposing appointments to the AGM, experience, background and other diversity factors are taken into account. ICT strives for women to hold at least 30% of positions on the Supervisory Board. Female representation currently stands at 25%.

The aim for a diverse composition, including the specific gender target, also applies to the composition of the Executive Board and senior management. With the Executive Board consisting of only two positions and an industry in which female talent is still scarce, the 30% target will not easily be achieved. In view of the reappointments in May 2018 of Mr. Blejie and Mr. Wienbelt as CEO and CFO, respectively, for a period of four years and given that there is no intention to increase the number of Executive Board members, ICT does not expect to meet the 30% target at the level of the Executive Board in the coming years.

The Supervisory Board closely monitors the Executive Board's efforts towards fostering female talent across the group, encouraging women's networks and mentoring programmes, together with the promotion of gender equality in general.

The Supervisory Board and the Executive Board share responsibility for ICT Group's corporate governance structure. At least once a year the Supervisory Board discusses the corporate governance rules applicable to the company and advises on possible changes.

The Supervisory Board established that its members could be deemed independent in accordance with the criteria listed in the Dutch Corporate Governance Code. There were no conflicts of interest in the year under review.

Quality of supervision

The Supervisory Board received all the information it required to fulfil its role effectively, both from senior management and the Executive Board. The COO of ICT Group is usually present at each Supervisory Board meeting, to provide an update on the operational performance of the various units. Other key managers are generally present at least once a year on a rotating basis. The Executive Board and the Supervisory Board meet annually with the Board of the Stichting Continuïteit ICT.

There was one meeting at which the Supervisory Board met with the entire Works Council to discuss matters such as strategy, the composition of the Supervisory Board and the culture within ICT. Furthermore there were a number of meetings between the Chairman and Vice-Chairman of the Supervisory Board, and the Chairman and Secretary of the Works Council to discuss progress on various initiatives and programmes. Also, introductory meetings were held with the proposed candidates for the Supervisory Board.

To enable the members of the Supervisory Board to familiarise themselves with the various offices and local management teams and to promote the feeling of being at home at all ICT locations, the members visit at least one different office each year.

The Supervisory Board members received individual training on developments in Corporate Governance, as well as on technological, strategic and market developments in the ICT sector in general.

Mrs. Van der Werf followed an extensive induction programme during which she met with key staff members and business managers.

Evaluation

The performance of the Executive Board and its individual members, the Supervisory Board and its individual members and the committees were all evaluated during 2018. The Supervisory Board evaluated its own performance, facilitated by an external advisor. Extensive questionnaires were completed and individual interviews were held with all Supervisory Board and Executive Board members. The output was collated by the external advisor and subsequently shared with the entire Supervisory Board in a closed session.

The evaluation confirmed that the Boards and Supervisory Board committees continued to function effectively. It also confirmed that discussions between the members of the individual Boards and between the Supervisory and Executive Board members are open and respectful. A number of practical matters and suggestions were adopted to further improve the functioning of the Supervisory Board and to ensure that the focus of the Supervisory Board going forward is aligned with the strategic objectives of ICT.

Supervisory Board committees

The Supervisory Board has an Audit Committee (AC) and a Remuneration and Appointments Committee (RAC). The AC is chaired by Mr. Luthra and the RAC by Mrs. van der Werf. A complete overview of the composition of the committees at the end of 2018 is presented below:

Committee	Chairman	Member
AC	Mr. D. Luthra	Mr. Th.J. van der Raadt
RAC	Mrs. G.A. van der Werf	Mr. Th.J. van der Raadt

Audit Committee

The Audit Committee met four times with the CFO and finance director during the year under review. The CEO and the external auditor were present at all meetings. The Audit Committee also met with the external auditor in the absence of the Executive Board.

The Chairman of the Audit Committee reported on the principal issues discussed, actions to be taken and the follow-up on such actions in the Supervisory Board meeting. The minutes of AC meetings are distributed to all Supervisory Board members.

The minutes of the Audit Committee meetings are shared with all Supervisory Board members. In the reporting year the Audit Committee reviewed and discussed the following subjects:

- the 2017 annual results and the quarterly and half-year results for 2018;
- the 2018 budget and quarterly performance against the budget;
- the 2019 budget and 2019-2022 multi-year plan;
- the valuation and performance of acquisitions and purchase price allocation;
- the application of accounting principles including the impact of changes in the applicable IFRS standards;
- treasury and working capital management;
- the financing position and covenants;
- the design and effectiveness of the risk management and control system;
- the review of the tax position including developments in meetings and discussions with the tax advisors;
- any actual and / or potential legal claims and insurance matters;
- the External Audit plan: approach, scope and coverage and key audit matters;
- the role and performance of the external auditor; and

- the appointment of an internal auditor and the Internal Audit Plan for group-wide internal audit activities.

Most of these matters were recurring items on the agenda. The Chairman of the Audit Committee met frequently with the CFO and the finance director to prepare for AC meetings, discussing all the above items.

As mentioned in last year's report, a decision was taken to establish an Internal Audit position. An internal auditor was recruited and appointed in May 2018. An Internal Audit Charter for the company was adopted by the Audit Committee and subsequently approved by the Supervisory Board. The Audit Committee discussed the findings of the 2018 internal audits and the Internal Audit Plan for the 2019 financial year in detail. The latter was adopted and subsequently approved by the Supervisory Board.

Remuneration and Appointments Committee
In 2018 the Remuneration and Appointments Committee (RAC) held four meetings, during which it discussed the performance of the Executive Board members, also versus the targets set and realisations in 2017. The committee established new targets for 2018 with respect to the short-term variable remuneration. Succession planning for ICT Group and the associated management structure is also a topic that is regularly discussed in the RAC. This is considered an important topic as it enables the Supervisory Board to assess the quality and growth potential of management in the light of the company targets.

At the start of 2018 the committee formulated a proposal for the reappointment of Mr. Blejie and Mr. Wienbelt, a proposal that was adopted by the Supervisory Board. The Supervisory Board reappointed Mr. Blejie and Mr. Wienbelt as CEO and CFO, respectively, following approval at the AGM in May 2018. Furthermore the RAC discussed new management contracts with the members of the Executive Board, as agreed by the Supervisory Board.

Other topics discussed during the year under review included the composition of the Supervisory Board and its profile. In view of the forthcoming retirement of Mr. Fröschl at the AGM in May 2019, the RAC also performed an extensive search for a new member resulting in a proposal from the RAC to the Supervisory Board to nominate Mr. Van de Bunt as a member of the Supervisory Board at the AGM in May 2019.

The remuneration policy of the Supervisory Board is reviewed every three years and was up for review in 2018. As a result of a benchmark study as well as internal deliberations, a proposal to adjust the remuneration of the Supervisory Board will be submitted for approval to the AGM in 2019.

People are ICT Group's greatest asset and scarcity of talent is one of the main strategic risks for the company. Employee satisfaction and talent recruitment are therefore very important topics for the RAC. In order to be thoroughly informed and able to operate as effectively as possible, the RAC invites the ICT Group's HR director to participate in its meetings for these specific topics.

The Chairman of the RAC reported at the Supervisory Board meetings on the discussions held in the RAC meeting. This included discussions on decisions, action points and follow-up. The minutes of each RAC meeting were distributed to all Supervisory Board members.

REMUNERATION REPORT

Executive Board remuneration policy

General

The basic precept of the remuneration policy is that qualified members of the Executive Board must be recruited and retained based on conditions in line with the market. The remuneration policy matches ICT's culture and strategy based on the choice of remuneration levels, remuneration ratios (fixed and variable remuneration) and performance criteria for the short-term and long-term variable remuneration.

Furthermore, the policy is oriented towards preventing Executive Board members from acting in their own interests at the expense of ICT and its shareholders, and is directed at ensuring that they are not challenged to take risks that do not fit with the strategy. For this reason the variable part of the remuneration is moderate in relation to the fixed part.

The internal pay ratio is also considered when determining the total remuneration. In line with the market, the remuneration of the members of the Executive Board is determined based on a comparison with a wide peer group consisting of publicly-listed companies that are comparable in terms of size and revenue, with international operations and headquarters in the Netherlands.

The remuneration policy for the members of the Executive Board is determined by the AGM based on a proposal by the Supervisory Board. The Supervisory Board determines the remuneration of the individual members based on a proposal by the Remuneration and Appointments Committee, in line with the established remuneration policy.

Before drafting the remuneration policy and determining the remuneration of the individual members of the Executive Board, the Supervisory Board analyses the potential outcome of the variable remuneration components, the impact of the outcome on the remuneration of the respective member of the Executive Board, and the pay ratio within the company.

The remuneration policy was amended in 2017 and adopted by the AGM in May 2017 and includes the following elements:

Remuneration package

In order to safeguard ICT's long-term and short-term interests as much as possible, the remuneration package for the members of the Executive Board consists of the following components:

- a fixed remuneration consisting of a fixed management fee and a fixed amount to compensate for the cost of insurance for healthcare and occupational disability, as well as the costs of pension accrual;
- a variable remuneration linked to short-term results (short-term incentive) in the form of a cash bonus for achieving the annual performance criteria; and
- a variable remuneration linked to long-term achievements (long-term incentive) in the form of a cash bonus depending on the increase in earnings per share and the amount of investment in ICT shares by the member of the Executive Board.

By dividing the remuneration into various components, the Supervisory Board strives to achieve a healthy balance between short-term and long-term aspects of the remuneration. The Supervisory Board is of the opinion that the variable components are appropriate given the role of the members of the Executive Board, the company profile and its risk profile.

Fixed remuneration

Members of the Executive Board receive a fixed management fee plus a fixed amount as compensation for the cost of insurances for healthcare and occupational disability, as well as the cost of pension accrual. Depending on the specific agreement with the member of the Executive Board, the level of fixed remuneration remains unchanged for a number of years (not including indexation). Any adjustment to the fixed remuneration as a result of indexation is determined in December and comes into effect on 1 January of the following year.

Variable remuneration - Short-term incentive

The short-term incentive of a member of the Executive Board – to be awarded in the event that the performance criteria are met – amounts to 50% of the fixed management fee that was paid during the year. In the event that the criteria are exceeded, the short-term incentive can be increased up to a maximum of 100% of the fixed management fee. If the performance criteria are not fully met but performance is still above a previously set threshold level, then the short-term incentive can amount to 25 to 50% of the fixed management fee. No short-term incentive is granted if performance fails to reach the threshold level.

Each year the Supervisory Board determines the performance criteria for the following year and establishes the relationship between the performance level and payment level in a graduated performance scale. The performance criteria are laid down in balanced scorecards. Seventy per cent (70%) of the short-term incentive is linked to financial performance criteria and thirty per cent (30%) to other, sometimes more qualitative, performance criteria which are linked to the strategy of the company. For the financial targets the Supervisory Board only uses the key figures that are most relevant to assess the performance of the company in relation to its strategic objectives. These are revenue, EBITDA and operational cash flow. The extent to which the financial performance criteria are achieved is determined based on ICT's annual accounts drafted by the Executive Board and audited by an external auditor (as submitted for adoption to the AGM).

The other performance criteria vary by year and are linked to the strategy and continuity of the company. The extent to which these criteria are achieved is determined either on the basis of the measured figures or discretionally by the Supervisory Board.

Under special circumstances the Supervisory Board can exercise its discretion and decide to pay a higher or lower short-term incentive than the incentive that would result from using the previously determined criteria.

The short-term incentive is distributed after the AGM has adopted the annual accounts relating to the performance year in question. Each member of the Executive Board must invest 33% of the variable remuneration in ICT shares (see below).

Variable remuneration - Long-term incentive

The long-term incentive is linked to the increase in earnings per share and depends on the amount of investment in ICT shares by the relevant member of the Executive Board. Depending on the increase in earnings per share achieved over a performance period of three years, the member of the Executive Board may be awarded a long-term cash bonus.

Based on the rules pertaining to the short-term incentive, each member of the Executive Board must invest 33% of the amount of the short-term incentive in ICT shares. The investment must be made within a period of two months after the date on which the respective Executive Board member becomes entitled to the amount of the short-term incentive. Shares purchased must be kept for at least three years or until the end of the Executive Board member's employment if this period is shorter. Accordingly, the lock-up period is never longer than the period of employment.

In addition to this obligatory investment in ICT shares, each year the members of the Executive Board may each invest a further sum of up to 33% of the fixed management fee that was paid in the base year to which the short-term incentive relates. This additional investment falls under the long-term incentive rules if the investment is made within the two-month period that applies to the mandatory investment.

If during the three financial years after the base year the level of earnings per share has reached the set target, ICT shall pay a cash bonus equal to 100% of the amount invested in the base year. If the set target is exceeded, the cash bonus can amount to a maximum of 150% of the invested amount. If the target is not achieved, but earnings per share are still above or at the threshold level, then the cash bonus equals 50-100% of the invested amount. Below the threshold level there is no cash bonus.
The performance criteria and the threshold and maximum levels of the long-term incentive plan are determined each year by the Supervisory Board.

Although no minimum level is formally agreed upon, the members of the Executive Board are expected to hold or to build a net shareholding in ICT shares in the amount equal to one annual fixed management fee.

Right to reclaim the variable remuneration ('claw back')

The company is authorised to reclaim – in part or in full – the variable remuneration if the distribution was made on the basis of incorrect information about the achievement of the performance criteria or regarding the circumstances upon which the variable remuneration depended.

Miscellaneous

Agreements and appointment term

Members of the Executive Board are appointed for a period of four years and may be reappointed for consecutive periods of four years. Executive Board members have a management agreement with ICT rather than a contract of employment. As a rule, these agreements are concluded for a period of four years with the possibility of an extension. A mutual notice period of six months shall apply. In the event that ICT serves a notice to terminate, ICT will pay the fixed management fee during the notice period as well as a severance amount equal to 50% of the annual fixed management fee. No specific agreement has been entered into between the company and the members of the Executive Board providing for compensation in the event of termination of the management contract following a public offer for ICT.

Loans

The company does not grant any personal loans to the members of the Executive Board.

Supervisory Board remuneration policy

The remuneration policy for the members of the Supervisory Board was determined at the Annual General Meeting of Shareholders on 13 May 2015 and set for the period from 2015 to 2018 / 2019. Based on the policy the Supervisory Board members receive the following remuneration:

- a standard remuneration of € 42,000 per annum for the Chairman of the Supervisory Board;
- a standard remuneration of € 30,000 per annum for each member of the Supervisory Board;
- an additional remuneration of € 6,000 per annum for the Chairman of the Audit Committee;
- an additional remuneration of € 5,000 per annum for the Chairman of the Remuneration and Appointments Committee;

- an additional remuneration of € 4,000 per annum for each member of the Audit Committee;
- an additional remuneration of € 3,000 per annum for each member of the Remuneration and Appointments Committee; and
- an allowance of € 2,500 per annum for general expenses.

As part of the review that takes place every three years, the Supervisory Board is currently assessing the remuneration of the Supervisory Board. This process is supported by an external advisor. The assessment will be based on a benchmark study and an assessment of the hours spent by the Supervisory Board members, in line with the Dutch Corporate Governance Code. Following the assessment a proposal will be put forward to the AGM in May 2019 for approval.

Remuneration in 2018

Fixed remuneration in 2018

For an overview of the fixed remuneration paid in 2018 please refer to note 23 on page 135 of this report.

The company entered into new management contracts with the members of the Executive Board following their reappointment by the Supervisory Board following the AGM in May 2018. As part of the renewed management contracts, the fixed management fee has been increased for the first time since the initial appointment.

Variable remuneration in 2018

For an overview of the variable remuneration paid in 2018 please refer to note 23 on page 135 of this report. The overall score for both members of the Executive Board on the performance criteria for the variable short-term incentive was 92%, resulting in a bonus equal to 97% of the fixed management fee. Under the long-term incentive plan a cash bonus was accrued for in 2018. For more details, please see note 23 of the annual accounts.

Pay ratio

Further to best practice 3.4.1 sub (iv) of the Dutch corporate governance code the remuneration of the CEO in 2018 has been compared with the average remuneration in 2018 of all direct FTEs with an employment contract based in the Netherlands. Remuneration of the CEO includes the fixed management fee, the fixed amount to compensate for the cost of insurances for healthcare and occupational disability as well as for the cost of pension accrual and a company car. Remuneration of the FTEs includes the fixed remuneration including employer costs of the fixed remuneration plus the cost of a company car and general expenses. Based on this calculation the pay ratio is 5.3 (2017: 5.1).

Remuneration policy 2019 and beyond

It is expected that an adjustment to the remuneration of the Supervisory Board will be submitted to the AGM in 2019. No adjustment to the remuneration policy for the Executive Board is expected to be proposed.

In conclusion

The members of the Supervisory Board would like to thank all employees of the ICT Group and the Executive Board for their dedication and hard work for the company in 2018.

Barendrecht, 28 February 2019

Supervisory Board
Th.J. van der Raadt (Chairman)
D. Luthra (Vice Chairman)
F.J. Fröschl
G.A. van der Werf

smarter cities

TRANSPORTING MORE THAN ONE MILLION RAIL PASSENGERS EVERY DAY

"Only IT will enable us to increase rail capacity "

THE CHALLENGE

Increasing capacity on the tracks

THE SOLUTION

Making smarter and more effective use of the available data

Passenger traffic of all kinds is on the rise in the densely populated Netherlands. Millions of people get on their bike, in their car or take the train every day to travel from home to work and back again. Freight transport also claims its share of the road and railway networks. Railway capacity is already being pushed to its limit, but railway operator ProRail expects passenger transport to increase by at least another 30 to 40 per cent in the next few years. For freight transport, the numbers are even higher. In order to achieve and manage this capacity while at the same time maintaining railway safety, ProRail needs to keep improving its systems – a process in which IT will play an increasingly important role.

"Expanding infrastructure in the Netherlands even further is not an option – our tiny country is already bursting at the seams. The space simply isn't there. It's better to invest in IT and accommodate the growth that way instead," says ProRail CIO **Henk Bothof**. The first step is to migrate from VMS to Linux. InTraffic, which became a wholly-owned subsidiary of ICT Group in early 2018, has been managing ProRail's vital systems for the past 15 years and is the main contractor for the migration process. "While very solid and reliable, VMS is a somewhat dated

CIO ProRail, Henk Bothof (left) and Director InTraffic, Bert van Elburg (right)

operating system. InTraffic has turned a younger generation onto VMS. Our strategy was to take a proven technology as our starting point in order to then move towards new technologies. This has resulted in a number of smart new innovations, including a system that can be used to manage service interruptions across the entire supply chain and a system that predicts switch point failures." **Bert van Elburg**, Managing Director at InTraffic: "We accomplished this by aggregating data from our own systems with data held in other systems." Despite these innovative IT applications and the reliability of VMS, the vast majority of systems are Linux-based. Bothof: "We're now phasing out VMS because we want to make some real technological advances in the future."

ERTMS

Switching to Linux is a first step towards that future. Another technology set to transform the railway industry is ERTMS (European Rail Traffic Management System). ERTMS is the new international standard for railway safety. It consists of systems that will be installed onboard and along the tracks, and which can communicate both with each other and with traffic control. Bothof: "This improves railway safety while at the same time increasing capacity. ERTMS brings smart technology to the railway industry. As is already the case for cars, trains will have less distance between them, which means more capacity on the tracks in order to transport more people."

But before we get to that stage, the current systems will need to be adapted. "ERTMS provides options to collect data from trains about location and speed, as well as give instructions to individual trains regarding the recommended speed. You get access to a lot more information, and we want to make that information available to a much wider group of users – in real time and at every level. This means we need to adapt the existing systems, and InTraffic is helping us to make that happen."

FACTS & FIGURES:

Average number of train journeys per day
1.1 million

Collaboration between ProRail & InTraffic
15 years

Increase in number of trains over the past 15 years
20 %

Availability service
24/7

Locations from which train traffic is managed
13 traffic control centres

7,021	Kilometres (ProRail rail tracks)
7,071	Switch points
12,036	Signals

Crossing borders

Until recently, railway systems had always been specific to each country. It was common, for example, for locomotives which were going to be used abroad to have to be converted because voltages vary internationally. Each country also has its own train control system. But rail travel is on the rise worldwide – it is increasingly regarded as a viable alternative to flying. This means that trains need to be able to cross borders without a hitch, without any incompatibilities getting in the way.

With the implementation of ERTMS, which in virtually all of Europe is considered the standard for railway traffic control and safety, this may soon become a reality. Bothof: “The Swiss are strong on the development end – we often marvel at the sheer ingenuity of the functionalities they come up with. And they, in turn, are envious of the features we have developed together with InTraffic. We are now looking to integrate the Swiss modules with our own and see if we can create systems which are more in sync technologically at the international level.”

Sustainability

As exciting as all these innovations may be, this is really just the tip of the iceberg. Bothof continues: “Just look at recent developments in the automotive industry. If railway travel is to remain the most sustainable mode of transport, we need to not just get people to swap their car for the train, but also make a proactive effort to improve sustainability.”

One way to do this is to figure out how trains can be brought to a halt on time. The effectiveness of steel-on-steel technology provides opportunities in that regard. “Steel-on-steel can enable us to save a lot of energy. We developed the Routelint application for ProRail, which tells the train driver when the next red signal is coming up and whether the train gets the all-clear. You can save massively on diesel that way, particularly when it comes to freight trains, which take a bit longer to get going due to their heavy weight. Train drivers were never able to anticipate these things in the past; Routelint is the first tool that allows them to see if there's a train ahead of them. This has really made their job a lot easier. With the app, it's easy for them to anticipate signals or approaching trains. This is a perfect example of how systems can be linked together in order to make smarter and more effective use of the available data," Van Elburg says.

Reducing impact

InTraffic is not only a partner in the design, development and delivery of software solutions – they are responsible for maintenance as well. "The admin teams are available to ProRail 24/7. Round the clock, our people do everything they can to get the system up and running again," Van Elburg explains. "The added value of our people is that they don't just look at their own systems – they are familiar with the entire application landscape." Bothof, nodding: "InTraffic never tells us they can't solve a problem because it's not in their own systems."

ProRail has a solid IT system in place, thanks in no small measure to InTraffic. The system is extremely reliable, and the company is focused on the future. But the systems currently running could also do with a few upgrades. "Our job is to ensure that the system works, pure and simple." Bothof and the InTraffic team are currently redesigning the system so as to minimise the impact of breakdowns. "Our goal is to make it more compartmentalised, so that, for example, a breakdown remains limited to one location and everything else continues to operate as normal. We plan to incorporate this into the next release of the process control software, which has a direct impact on how trains are operated."

The industry is already making smarter and more effective use of the available data, a trend that looks set to continue into the future. "The potential is boundless. No, I don't imagine that, down the line, there will be much time to sit back and relax..."

CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED BALANCE SHEET

As at 31 December (before proposed profit appropriation)

(x € 1,000)	Note		2018		2017
Assets					
NON-CURRENT ASSETS					
Property, plant & equipment	7	4,018		2,913	
Goodwill	8	28,871		22,308	
Other intangible assets	9	16,594		13,154	
Investment in joint ventures	10	-		1,044	
Investment in associates	11	1,159		419	
Deferred tax assets	12	266		176	
Other financial assets	13	210		863	
			51,118		40,877
CURRENT ASSETS					
Trade and other receivables	14	38,288		33,508	
Corporate income tax receivable		58		690	
Cash and cash equivalents	15	6,178		6,500	
			44,524		40,698
TOTAL ASSETS			**95,642**		**81,575**
Equity and liabilities					
SHAREHOLDERS' EQUITY	16				
Issued share capital		946		941	
Share premium		14,204		14,209	
Currency translation reserve		95		95	
Legal reserve		2,172		2,269	
Treasury shares		(290)		-	
Retained earnings		26,765		24,159	
Net profit*)		9,391		5,226	
Attributable to shareholders of ICT Group N.V.		53,283		46,899	
Non-controlling interest		941		762	
			54,224		47,661
NON-CURRENT LIABILITIES					
Deferred tax liabilities	12	3,583		2,915	
Share-based compensation and long-term employee benefits liabilities	17	464		296	
Loans (long-term)	18	4,962		4,230	
Deferred acquisition consideration (long-term)	20	-		3,261	
			9,009		10,702
CURRENT LIABILITIES	19				
Trade payables		4,032		3,296	
Corporate income tax payable		1,075		410	
Other taxes and social security premiums		8,979		7,731	
Loans (short-term)	18	3,548		2,586	
Deferred acquisition consideration (short-term)	20	3,689		-	
Bank overdrafts	15	-		250	
Other current liabilities		11,086		8,939	
			32,409		23,212
TOTAL EQUITY AND LIABILITIES			**95,642**		**81,575**

* The 2018 net result includes € 4,083 thousand of one-off gains related to the step-up accounting of InTraffic and the dilution of the share in GreenFlux. These profits are non-cash items and are non-distributable profits under Dutch Law.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(x € 1,000)	Note	2018	2017
Revenue	21	**129,854**	**104,989**
Cost of Materials and subcontractors		15,680	11,594
Employee benefit expenses	22	76,667	62,516
Depreciation and amortisation	7, 9	4,950	3,559
Other operating expenses	24	24,033	18,881
Total operating expenses		121,330	96,550
Operating profit		**8,524**	**8,439**
Financial expenses	25	(886)	(546)
Financial income	25	261	62
One-off accounting gains	26	4,083	-
Result from joint ventures	10	58	113
Result from associates	11	(443)	(541)
Result before taxes		**11,597**	**7,527**
Income tax expense	27	(2,099)	(1,915)
Net profit		**9,498**	**5,612**
Other comprehensive income (loss), net of tax		-	20
Total comprehensive income		**9,498**	**5,632**
Net profit attributable to:			
• Shareholders of ICT Group N.V.*)		9,391	5,226
• Non-controlling interests		107	386
Total comprehensive income attributable to:			
• Shareholders of ICT Group N.V.*)		9,391	5,246
• Non-controlling interests		107	386
Earnings per share	28		
Basic earnings per share (in €)		0.99	0.56
Diluted earnings per share (in €)		0.99	0.56

*) The 2018 net profit includes € 4,083 thousand of one-off gains related to the step-up accounting of InTraffic and the dilution of the share in GreenFlux. These profits are non-cash items and are non-distributable profits under Dutch Law.

There are no non-recyclable other comprehensive income items. The other comprehensive income items are fully related to equity accounted associates.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

(x € 1,000)	Issued share capital	Share premium	Currency translation reserve	Legal reserve	Treasury shares	Retained earnings	Profit for the year	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent									
Balance at 1 January 2017	**929**	**13,768**	**75**	**1,744**	**-**	**21,753**	**5,006**	**43,275**	**434**	**43,709**
Net profit	-	-	-	-	-	-	5,226	5,226	386	5,612
Other comprehensive income	-	-	20	-	-	-	-	20	-	20
Total comprehensive income	-	-	20	-	-	-	5,226	5,246	386	5,632
Dividends paid	-	-	-	-	-	(2,052)	-	(2,052)	(58)	(2,110)
Stock dividend charged	-	(1,012)	-	-	-	-	-	(1,012)	-	(1,012)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(331)	-	-	(331)	-	(331)
Sale of treasury shares	-	-	-	-	308	-	-	308	-	308
Issuance of new shares	12	1,453	-	-	-	-	-	1,465	-	1,465
Transfers	-	-	-	525	23	(548)	-	-	-	-
Prior year result allocation	-	-	-	-	-	5,006	(5,006)	-	-	-
Balance at 31 December 2017	**941**	**14,209**	**95**	**2,269**	**-**	**24,159**	**5,226**	**46,899**	**762**	**47,661**
Balance at 31 December 2017*)	**941**	**14,209**	**95**	**2,269**	**-**	**24,159**	**5,226**	**46,899**	**762**	**47,661**
Adjustment on initial application IFRS 15 (net of tax)	-	-	-	-	-	-	-	-	-	-
Adjustment on initial application IFRS 9 (net of tax)	-	-	-	-	-	21	-	21	-	21
Adjusted balance at 1 January 2018	**941**	**14,209**	**95**	**2,269**	**-**	**24,180**	**5,226**	**46,920**	**762**	**47,682**
Net profit	-	-	-	-	-	-	9,391	9,391	107	9,498
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	9,391	9,391	107	9,498
Dividends paid	-	-	-	-	-	(2,423)	-	(2,423)	(348)	(2,771)
Stock dividend charged	-	(871)	-	-	-	-	-	(871)	-	(871)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	556	556
Purchase of treasury shares	-	-	-	-	(932)	-	-	(932)	-	(932)
Sale of treasury shares	-	-	-	-	691	-	-	691	-	691
Step up acquisition (OrangeNXT)	-	-	-	-	-	(364)	-	(364)	(136)	(500)
Issuance of new shares	5	866	-	-	-	-	-	871	-	871
Transfers	-	-	-	(97)	(49)	146	-	-	-	-
Prior year result allocation	-	-	-	-	-	5,226	(5,226)	-	-	-
Balance at 31 December 2018	**946**	**14,204**	**95**	**2,172**	**(290)**	**26,765**	**9,391**	**53,283**	**941**	**54,224**

*) ICT Group N.V. has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative figures are not restated. See accounting policies.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

According to the direct method (x € 1,000)		2018		2017
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	152,032		117,403	
Payments to suppliers and employees	(138,849)		(109,140)	
		13,183		8,263
Interest paid	(453)		(362)	
Income tax (paid) received	(1,618)		13	
		(2,071)		(349)
Net cash flow from operating activities		**11,112**		**7,914**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Additions to property, plant and equipment	(1,277)		(1,293)	
Additions to software and product development	(1,454)		(882)	
Acquisition of subsidiaries (net of cash acquired)	(7,767)		(1,215)	
Sale of an associate	-		715	
Additions to other financial assets	-		(489)	
Dividend received from joint venture	260		230	
Net cash flow from investment activities		**(10,238)**		**(2,934)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of the parent company	-		453	
Proceeds from issuance of shares of subsidiaries	372		-	
Purchase of treasury shares	(932)		(331)	
Re-issuance of treasury shares	691		308	
Proceeds (repayments) of borrowings (external loans)	1,694		(2,600)	
Dividend paid to non-controlling interest	(348)		(58)	
Dividend paid to shareholders of ICT Group N.V.	(2,423)		(2,052)	
Net cash flow from financing activities		**(946)**		**(4,280)**
Net cash flow		**(72)**		**700**
Cash at bank and in hand (net) as at 31 December	6,178		6,250	
Cash at bank and in hand (net) at 1 January	6,250		5,550	
(Decrease) increase cash and cash equivalents		**(72)**		**700**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ICT Group N.V. (Trade Register number: 24186237) and its subsidiaries ('ICT', 'ICT Group' or 'the Company') is a public limited liability Company incorporated and established in the Netherlands. In the context of the consolidated financial statements, the Company is also referred to as the 'ICT group of companies'.

The address and domicile of ICT Group N.V. is:
Kopenhagen 9
2993 LL Barendrecht
Telephone: +00 31 (0)889082000
Fax: + 0031 (0)889082500

The consolidated financial statements of ICT Group N.V. for the year ended 31 December 2018 were authorised for issue by the Executive Board on 28 February 2019, were signed by the Executive Board and the Supervisory Board on 28 February 2019 and will be submitted for adoption to the General Meeting on 15 May 2019.

ICT Group is a leading industrial technology solutions and services provider. The solutions we offer our clients involve software development, solutions on project basis, the secondment of experienced and highly educated staff as well as services to maintain IT systems.

Technology based-innovations are critical for the competitive edge of our customers; getting smarter every day in every product, process or application. Our specific industry knowledge enables us to link people, technology and ideas. With over 1,250 dedicated technical professionals in the field, we are capable of translating new and innovative technologies into relevant business solutions, enriched with state-of-the-art technologies.

Within our focus areas Smarter Cities, Smarter Industries and Smarter Health we serve the following key industries: Transport & Logistics, Automotive & Mobility, Energy, Oil & Gas, Water & Infrastructure, Healthcare, Food, Chemicals & Pharma, Manufacturing and High Technology.

ICT is globally active and operates from several locations in the Netherlands, Belgium, Germany and Bulgaria (Strypes).

In this Annual Report, where information has been presented in thousands or millions of units, amounts may have been rounded off. Accordingly, totals of columns or rows of numbers in tables or charts may not be equal to the apparent sum of the individual items. Actual numbers may differ from those contained herein due to such rounding off.

2. GROUP INFORMATION

The following group companies are included in the consolidation.

Group companies		
ICT Automatisering Nederland B.V.	Barendrecht (the Netherlands)	100%
Improve Quality Services B.V.	Waalre (the Netherlands)	100%
ICT Nearshoring B.V.	Barendrecht (the Netherlands)	100%
Strypes EOOD Ltd.	Sofia (Bulgaria)	100%
Strypes Nearshoring Ltd.	Sofia (Bulgaria)	100%
Raster Beheer B.V.	Dreumel (the Netherlands)	100%
Raster Products B.V.	Dreumel (the Netherlands)	100%
Raster Industriële Automatisering B.V.	Dreumel (the Netherlands)	100%
ICT Belgium BVBA	Aartselaar (Belgium)	100%
Raster Industrielle Automatisierung GmbH	Essen (Germany)	100%
Buro Medische Automatisering B.V.	Houten (the Netherlands)	51%
BMA Belux BVBA	Bellegem (Belgium)	51%
BMA France SAS	Versailles (France)	51%
BMA Telenatal B.V.	Houten (the Netherlands)	26%
ICT Poland Sp. z o.o. (liquidated in 2018) [1]	Gdansk (Poland)	100%
OrangeNXT B.V. [2]	Barendrecht (the Netherlands)	100%
NedMobiel B.V. [3]	Breda (the Netherlands)	100%
InTraffic B.V. [4]	Utrecht (the Netherlands)	100%
ICT Motar B.V. [5]	Barendrecht (the Netherlands)	50.1%
CIS Solutions GmbH [6]	Ismaning (Germany)	66%
ICT Participations B.V. [7]	Barendrecht (the Netherlands)	100%

Joint ventures and associates		
InTraffic B.V. (until 31 March 2018) [4]	Utrecht (the Netherlands)	50%
LogicNets, Inc.	Washington D.C. (USA)	20%
GreenFlux Assets B.V. [8]	Amsterdam (the Netherlands)	19.57%
ICT-Sensoria NL B.V. [7]	Barendrecht (the Netherlands)	50%

1) In 2016 ICT closed the ICT Poland operation. Subsequently the Company went into liquidation in 2016. The liquidation has been finalised at 20 August 2018.
2) Formerly named ICT Mobile B.V. ICT expanded its 51% interest in ICT Mobile B.V. to a 100% interest at 6 September 2018 and changed the name of the entity to OrangeNXT B.V. at the same time.
3) In January 2018 ICT acquired 100% of the shares of NedMobiel B.V. and is consolidated as from 1 January 2018.
4) ICT expanded its 50% interest in InTraffic B.V. to a 100% interest in March 2018. As from 1 April InTraffic B.V. is consolidated. Previously, ICT's former 50% stake in InTraffic was reported as joint venture.
5) ICT Motar B.V. was incorporated on 9 May 2018.
6) CIS Solutions GmbH: See note 3 of the consolidated financial statements.
7) In October 2018 ICT Group N.V. incorporated ICT Participations B.V. and ICT-Sensoria NL B.V. ICT Participations B.V. is a 100% company of ICT Group N.V. and holds 50% of the shares of ICT-Sensoria NL B.V.
8) GreenFlux Assets B.V.: See note 11 of the consolidated financial statements.

3. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES

ACQUISITION OF NEDMOBIEL B.V.

In January 2018, the Group acquired 100% of the shares and voting interests in NedMobiel B.V. ('NedMobiel'), a Dutch expert consultancy company for complex infrastructures. NedMobiel has extensive expertise in (tunnel) safety, asset management and project management in the national rail, road, water and infra sectors. This acquisition supports ICT's transition from a leading software integrator to a total technology and service provider, by increasing revenue from projects as well as from services. NedMobiel realises profitable revenues of around € 3 million per annum. The acquisition supports ICT's growth ambitions.

Consideration transferred

(x € 1,000)	
Consideration transferred in cash	2,250
Deferred contingent acquisition consideration	480
Total consideration (to be) transferred	**2,730**

Deferred contingent acquisition consideration

The purchase consideration for 100% of the shares amounts to € 2,250 thousand transferred in cash at acquisition date and an earn-out consideration payable in May 2019, determined based on the actual 2018 EBITDA and ranging between € 250 thousand and € 500 thousand. Given the financial performance in 2018 the full earn-out is expected to be payable. The discounted earn-out amount of € 480 thousand represents the fair value as at the acquisition date.

Acquisition-related costs

The Company incurred acquisition-related costs including legal fees and due diligence costs. These costs were included in 2018 and 2017 under 'other operating expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

(x € 1,000)	Carrying amount	Fair value adjustments	Recognised values
Intangible assets: Customer relations	-	799	799
Intangible assets: Order Backlog	-	237	237
Property, plant and equipment	38	-	38
Financial fixed assets	6	-	6
Cash and cash equivalents	104	-	104
Other current assets	777	-	777
Current liabilities	(723)	-	(723)
Deferred tax liabilities	-	(259)	(259)
Total identifiable net assets acquired	**202**	**777**	**979**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Intangible assets	Income approach: The income approach determines the fair value from the future cash flows the subject asset will generate over its remaining useful life. The application of this approach involves projecting the cash flows which the subject asset is generating, based on current expectations and assumptions about future states. The cash flows generated by the subject asset have to be converted to present value by discounting them with the appropriate discount rate. The discount rate reflects the time value of money and the relevant risk associated with the cash flows of the asset.

The trade receivables and revenue to be invoiced comprise gross contractual amounts due of € 777 thousand, all of which was considered to be collectible at the acquisition date.

Fair values measured on a provisional basis

The fair value of the assets acquired and liabilities assumed at the acquisition date have been determined on a provisional basis.
If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

(x € 1,000)	
Consideration transferred	2,730
Fair value of identifiable net assets	979
Goodwill	**1,751**

The goodwill is mainly attributable to the experienced workforce of NedMobiel, the expected sales growth relating to the quality workforce that fits to ICT and potential for key strategic areas. None of the goodwill recognised is expected to be deductible for tax purposes.

Amortisation

Customer relations and order backlog have been identified and valued as a part of a Purchase Price Allocation exercise. Customer relations have been valued for € 799 thousand to be amortised over a period of 8 years as from acquisition date. Order backlog has been valued at € 237 thousand to be amortised over a period of 1 year in 2018. As a result, the total amortisation amounts to € 337 thousand in 2018 (€ 100 thousand on customer relations, € 237 thousand on order backlog).
The amortisation is not tax deductible. In the valuation analysis a deferred tax liability is included which will be released during the amortisation period. The net effect on net result after deferred taxes amounts to € 253 thousand.

ACQUISITION OF REMAINING 50% OF INTRAFFIC B.V.

InTraffic, located in Nieuwegein, designs and builds applications for Traffic Management, Infrastructure Monitoring and Travel Information. The Company was founded in 2003 as a joint venture between ICT and engineering company Movares. With 150 professionals InTraffic generates annual turnover of approximately € 19 million.

On 21 March 2018, ICT completed the purchase of the remaining 50% of the shares of InTraffic B.V. ('InTraffic') from former joint venture partner Movares Group B.V. ICT now holds 100% of the shares of InTraffic.

InTraffic is fully consolidated as from 1 April 2018, while up to and including the first quarter of 2018 ICT's former 50% stake is reported as joint venture. IFRS requires ICT Group to revalue its former 50% stake in InTraffic. This resulted in a one-off step up accounting gain of € 3.5 million. The purchase consideration for 50% of the shares has been paid in cash.

The acquisition of InTraffic enables ICT to further expand its position in the strategic 'Smarter Cities' theme. It also supports ICT's strategic objective to become a leading total solutions provider.

Consideration transferred

(x € 1,000)	
Consideration transferred in cash for the 50% stake	5,250
Total consideration transferred	**5,250**

Acquisition consideration

The purchase consideration for 50% of the shares amounts to € 5,250 thousand transferred in cash.
The amount of € 5,250 thousand represents the fair value as at the acquisition date.

Acquisition-related costs

ICT incurred acquisition-related costs including legal fees and due diligence costs. These costs were included in 2018 under 'other operating expenses'.

Result of step up accounting

Until the first quarter of 2018 InTraffic was still reported as a joint venture. The acquisition of InTraffic resulted in a one-off step up accounting gain of € 3.5 million related to the revaluation to fair value of the 50% stake in InTraffic already held by ICT.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

(x € 1,000)	Carrying amount	Fair value adjustments	Recognised values
Intangible assets: Customer relations	-	3,000	3,000
Intangible assets: Order Backlog	-	400	400
Intangible assets: Brand name	-	1,300	1,300
Other financial fixed assets	114	-	114
Property, plant and equipment	986	-	986
Cash and cash equivalents	1,012	-	1,012
Other current assets	3,658	-	3,658
Current liabilities	(4,084)	-	(4,084)
Deferred tax liabilities	-	(1,175)	(1,175)
Total identifiable net assets acquired	**1,686**	**3,525**	**5,211**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Intangible assets	Income approach: The income approach determines the fair value from the future cash flows the subject asset will generate over its remaining useful life. The application of this approach involves projecting the cash flows which the subject asset is generating, based on current expectations and assumptions about future states. The cash flows generated by the subject asset have to be converted to present value by discounting them with the appropriate discount rate. The discount rate reflects the time value of money and the relevant risk associated with the cash flows of the asset.

The trade receivables and revenue to be invoiced comprise gross contractual amounts due of € 2,989 thousand, all of which was considered to be collectible at the acquisition date.

Fair values measured on a provisional basis

The fair value of the assets acquired and liabilities assumed at the acquisition date have been determined on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

(x € 1,000)	
Consideration transferred in cash for the 50% stake	5,250
Fair value of previously held equity interest	4,361
	9,611
Fair value of identifiable net assets	5,211
Goodwill	**4,400**

The goodwill is attributable mainly to the skills and technical talent of InTraffic's workforce and the synergies the Company expects in collaborating more intensively with the other business units of ICT group. None of the goodwill recognised is expected to be deductible for tax purposes.

Amortisation

Customer relations, order backlog and brand name have been identified and valued as a part of a Purchase Price Allocation exercise. Customer relations have been valued for € 3.0 million to be amortised over a period from 6 to 15 years as from acquisition date. Order backlog has been valued at € 400 thousand to be amortised over a period of 11 months. Brand name has been valued at € 1.3 million to be amortised over a period of 8 years. As a result, the total amortisation amounts to € 720 thousand in 2018 (€ 322 thousand on customer relations, € 333 thousand on order backlog and € 65 thousand on brand name). The amortisation is not tax deductible. In the valuation analysis a deferred tax liability is included which will be released during the amortisation period. The net effect on net result after deferred taxes amounts to € 540 thousand in 2018.

Legal reserve

Due to the acquisition of the remaining 50% of the shares of InTraffic B.V., the legal reserve related to the undistributed net profits of InTraffic B.V. has been transferred to retained earnings.

ACQUISITION OF REMAINING 49% OF ORANGENXT B.V. (FORMERLY ICT MOBILE B.V.) SHARES

On 5 September 2018 ICT obtained the remaining 49% shares of OrangeNXT B.V. ICT now holds 100% of the shares of OrangeNXT B.V.

The acquisition of the remaining 49% of OrangeNXT B.V. shares enables ICT to distinct software offerings from the traditional time hire and project activities within ICT. This by consolidating the software solutions of the former ICT Mobile B.V. with the software solutions from ICT Automatisering Nederland B.V. in OrangeNXT.

Consideration transferred

(x € 1,000)	
Consideration transferred in cash for the 49% stake	500
Total consideration transferred	**500**

ACQUISITION OF CIS SOLUTIONS GMBH 66% SHARES

On 28 September 2018 ICT obtained 66% of the shares of CIS Solutions GmbH. The acquisition was paid in cash for € 250 thousand and through the conversion of the existing loans. The acquisition enables ICT to cautiously expand its international activities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

4.1 BASIS OF PREPARATION

Statement of compliance

Company financial statements

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Consolidated financial statements

ICT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The accounting policies applied by ICT comply with IFRS and the pronouncements of the International Financial Reporting Interpretation Committee (IFRIC) effective at 31 December 2018.

The consolidated financial statements have been prepared on the basis of the historical cost convention, unless otherwise stated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4.2 PRIOR YEAR RESTATEMENT

No prior year restatements have been made.

4.3 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Company

The International Accounting Standards Board (IASB) and IFRIC have issued new standards, amendments to existing standards and interpretations, some of which are not yet effective or have not yet been endorsed by the European Union. Where relevant, ICT has applied the new standards and interpretations that became effective in 2017. The adoption of these standards and interpretations did not have a material impact on the Company's financial performance or position.

IFRS 9 'Financial Instruments'

As ICT Group has adopted the classification and measurement requirements of IFRS 9 there is no requirement to restate prior periods. Therefore, the difference between the previous carrying amount before adoption of IFRS 9 and the carrying amount as at 1 January 2018 based on IFRS 9 is recognised in the opening retained earnings as at 1 January 2018.

For ICT Group the adoption of IFRS 9 has an impact on the classification, initial recognition and subsequent measurement of the convertible loans. The convertible loans do not meet the criteria for Solely Payments of Principal and Interest ('SPPI'). Therefore, IFRS 9 has an impact on the recognition and initial measurement, because the convertible loans must be measured at fair value instead of amortised cost. With respect to the subsequent measurements of the convertible loans, ICT Group has recognised € 21 thousand in the opening retained earnings. The recognition of € 21 thousand in the opening retained earnings is reflected in the consolidated statement of changes in equity.

The introduction of IFRS 9 results in the following reclassification within the financial assets (before the recognition of the € 21 thousand in the opening retained earnings):

Financial assets – 1 January 2018 (x € 1,000)	**Amortised cost**	**Fair value through profit and loss**	**Total**
Closing balance 31 December 2017 – IAS 39	**863**	**-**	**863**
Reclassify convertible loans from amortised cost to fair value through profit and loss	(646)	646	-
Opening balance 1 January 2018 – IFRS 9	**217**	**646**	**863**

IFRS 9 also includes a new impairment model which contains a more forward-looking approach on credit losses. In the forward-looking credit model, expected credit losses are taken into account as from initial recognition. The new impairment model impacts financial assets measured at amortised cost, being the trade and other receivables and cash and cash equivalents with respect to ICT Group.

As the doubtful debtor's provision based on the measurement of possible default events within the 12 months after reporting date is higher than the doubtful debtor's provision based on the lifetime expected credit losses derived from historic credit losses in the past 3 years, ICT Group has decided to recognise a doubtful debtor's provision based on the possible default events within 12 months after reporting date. Therefore, the impact of the new impairment model on ICT Group is EUR 0 thousand.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. ICT Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at date of initial application being 1 January 2018. Accordingly, the information presented for 2017 has not been restated and presented as previously reported under IAS 18, IAS 11 and related interpretations.

As reported in the financial statements 2017 ICT has assessed the potential impact of IFRS 15 and in addition, ICT assessed the additional application guidance under IFRS 15 such as contract costs, principal versus agent considerations and onerous contracts and determined that this will not have a material impact.

IFRS 15 also prescribes new and additional disclosure requirements. The new IFRS 15 disclosures are reported in the 2018 financial statements in note 14.

Impact of new and amended standards adopted by the Company on retained earnings

The impact on the Company's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

(x € 1,000)	
Closing retained earnings 31 December 2017 - IAS 18 / IAS 39 as reported	**24,159**
Reclassify convertible loans from amortised costs to fair value through profit and loss	21
Opening retained earnings 1 January 2018 - IFRS 9 and IFRS 15	**24,180**

(x € 1,000)	
Closing retained earnings 31 December 2016 - IAS 18 / IAS 39 as reported	**21,753**
Reclassify convertible loans from amortised costs to fair value through profit and loss	-
Opening retained earnings 1 January 2017 – IFRS 9 and IFRS 15	**21,753**

(b) New standards and interpretations not yet adopted

A number of relevant new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in the preparation of these consolidated financial statements. These relevant amendments pertain to:

- IFRS 16 'Leases' (effective date 1 January 2019);
- Prepayment features with negative compensation (amendments to IFRS 9 'Financial Instruments' (effective date 1 January 2019);
- Long term interest in associates and joint ventures (amendments to IAS 28 'Investments in associates') (effective date 1 January 2019);
- Plan amendment, curtailment or settlement (amendments to IAS 19 'Employee Benefits') (effective date 1 January 2019);
- IFRIC 23 'Uncertainty over income tax (effective date 1 January 2019);
- Annual improvements 2015-2017 (various standards).

IFRS 16 'Leases'

IFRS 16 'Leases' is the new standard on lease accounting and will result in the recognition of almost all leases on the balance sheet, as there is no longer a distinction between operating and finance leases as currently is applicable under IAS 17.

Under this new standard an asset, which is the right to use the leased item, and a financial liability, being the present value of future lease payments to be made, are recognised. Additionally, IFRS 16 will lead to a shift from operating lease costs to depreciation and amortisation and financial expenses, while at the same time actual cash flows will not change. Consequently, IFRS 16 is expected to have a significant impact on the financial statements and financial KPI's of ICT.

In 2018, ICT has implemented processes related to IFRS 16, based on the intention of using the modified retrospective approach as transition method. The leases are currently accounted for as off balance sheet commitments in note 31.

If ICT had applied IFRS 16 as at 31 December 2018 using the modified retrospective approach, lease assets of € 12.7 million and a corresponding lease obligation would be recognised in the balance sheet, by using an average discount rate of 0.96%. The average discount rate is based on the ICT credit spread and country specific yields related to the duration of the lease assets. IFRS 16 also impacts the financial covenants and several ratios of ICT. The reclassification of the lease expenses from operating expenses to depreciation and amortisation would have resulted in an increase in EBITDA of € 4.7 million. The recognition of the lease liability would have resulted in an increase of the net debt position.

Other amendments

The other amendments have an insignificant impact on the financial statements of ICT.

(c) Changes in presentation

The presentation of, and certain terms used in, the statement of financial position, statement of comprehensive income and certain notes has been changed in 2018 to provide additional and more relevant information. Certain comparative amounts have been reclassified to adhere to the current period presentation. None of the changes are significant.

4.4 CONSOLIDATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company |and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or divested during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Groups' accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly divested the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Any contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The financial figures reported by the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in associates and joint ventures

An associate is an entity over which the Group has the ability to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In assessing significant influence, the Group takes into account the effects of current voting rights, potential voting rights and other qualitative factors that may indicate significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 (in prior year IAS 39) are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture which are not part of the net investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9 (in prior year IAS 39). The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from divesting a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly divesting the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture were to be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss were to be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board, which makes strategic decisions.
The operating segments are described in note 21 and the cash generating units are described in note 8.

4.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Euro' (€), which is the group's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income under 'financial income or expenses'.

(c) Financial statements of foreign operations
The assets and liabilities of foreign operations (accounted for in the result), including goodwill and fair value adjustments arising on consolidation, are translated to Euros at the exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Euros at average rates. Foreign exchange differences arising on translation are recognised directly in a separate component of equity. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. When a foreign operation is divested, in part or in full, the relevant amount in the translation reserve is transferred to the statement of comprehensive income.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Computer equipment 5 years
- Furniture, fittings and other equipment 5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses' in the consolidated statement of comprehensive income.

4.8 GOODWILL

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.
Upon the disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.9 OTHER INTANGIBLE ASSETS

Software and licenses

Capitalised software and licenses are stated at historical cost less amortisation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Amortisation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives of five to eight years. The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses' in the consolidated statement of comprehensive income.

Order backlog

Order backlog includes all signed customer contracts that have not been recognised as revenue as per the acquisition date of acquired entities and which have been valued as a result of the Purchase Price Allocation. The order backlog is amortised over the period in which the contracts (services and projects) have been delivered.

Customer relations

Customer relations are recorded at fair value at initial recognition as a result of the Purchase Price Allocation of acquired entities and are amortised over an anticipated life of five to fifteen years from the acquisition date.

Brand names

Brand names are recorded at fair value at initial recognition as a result of the Purchase Price Allocation of acquired entities and are amortised over an anticipated life from the acquisition date.

Product development

The Company expenses all research costs as they are incurred. Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised as an intangible asset if the product or process is technically and commercially feasible and the Company has sufficient resources, the intention to complete development and a launching customer and/or a potential other investor have been identified. The development expenditure capitalised comprises all directly attributable costs (including the cost of materials and direct labour). Other development expenditure is recognised in the consolidated statement of comprehensive income. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised development expenditure is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

Impairment of other intangible assets

Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Intangible assets other than goodwill ('other intangible assets') that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4.10 FINANCIAL ASSETS

2018

Classification and Measurement

Initial recognition of financial assets is fair value. In order to determine the classification and subsequent measurement of the financial assets, the business model and contractual cash flow characteristics of the financial asset need to be taken into account.

(Convertible) loans are initially recognised at fair value including transaction costs, if any. Subsequently, depending on the business model and SPPI. (Convertible) loans are measured as follows:

- (convertible) loans that are held-to-collect and pass the SPPI test are measured at amortised cost;
- (convertible) loans that fail the SPPI test irrespective of the business model are measured at fair value through profit and loss Potential embedded derivatives included the (convertible) loan shall not be bifurcated and the value of the option is included in the fair value determination.

The valuation technique used to value the convertible loans at fair value through profit and loss is the discounted cash flow analysis. All of the fair value estimates are included in level 3 of the fair value hierarchy.

Recognition

Financial assets are recognised on the balance sheet when and only when ICT becomes a party to the contractual provisions of the transaction, which are amount owed to ICT.

(Convertible) loans that ICT issued are recognised when issued. On initial recognition the (convertible) loans need to be classified into a financial asset category.

2017

Classification

The Company classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition. The Company only had loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period. These were classified as non-current assets. Any embedded derivatives (such as convertible options) were accounted for separately if the criteria in IAS 39.11 on bifurcation were met.

Recognition and measurement

Loans and receivables were initially recognised at fair value plus transaction costs and were subsequently carried at amortised cost using the effective interest method. Loans and receivables were recognised in the Company's balance sheet when the Company became a party to the contractual provisions of the instrument. Loans and receivables were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Company had transferred substantially all risks and rewards of ownership. Any bifurcated derivatives were accounted for as the residual amount between the cash flow provided and the fair value of the loan at initial recognition, with re-measurement at fair value through profit and loss.

4.11 IMPAIRMENT OF FINANCIAL ASSETS

2018

The group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables;
- Debt instruments carried at amortised cost.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. If the doubtful debtor's provision based on the measurement of possible default events within the 12 months after reporting date is higher than the doubtful debtor's provision based on the lifetime expected credit losses derived from historic credit losses in the past 3 years, ICT records the doubtful debtor's provision based on the measurement of possible default events within 12 months after reporting date.

From 1 January 2018, ICT assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For the credit risk disclosure see note 6.

2017

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

4.12 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value. The fair value on initial recognition is the transaction price – i.e. the fair value of the consideration to be received being the cash amount to be received from the debtor. Subsequently, trade receivables are measured at amortised cost using the effective interest rate method less provision for impairment. If ICT recovers any amount that have been previously written off as uncollectable, then the amount is recognised in the income statement. Trade and other receivables are derecognised when the associated benefits have been realised. For example, ICT receives cash in settlement of the receivable and has no longer any rights to receive additional cash, the receivable is derecognised.

In prior year the trade and other receivables accounting policies were as follows:

Trade and other receivables comprise trade debtors, unbilled revenue relating to projects and other receivables and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful receivables.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. In the consolidated statement of cash flows, bank overdrafts are included under 'Cash at bank and in hand'.

4.14 SHARE CAPITAL AND TREASURY SHARES

Equity instruments, ICT shares that are purchased (treasury shares), are deducted from shareholders' equity until the shares are cancelled or sold. When such equity instruments are subsequently sold, any consideration received, net of income tax effects, is included in shareholders' equity.

The price paid for sold ICT shares (treasury shares) is deducted from shareholders' equity until the shares are cancelled or sold.

4.15 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, ICT will measure the liabilities at amortised cost using the effective interest method.

4.16 DEFERRED ACQUISITION CONSIDERATION

The deferred acquisition consideration comprise payable acquisition considerations based on purchase agreements closed and are recognised against fair value.

4.17 SHARE-BASED COMPENSATION AND LONG-TERM EMPLOYEE BENEFITS LIABILITIES

Long-term incentive plan

The fair value of the amounts payable to certain directors (executive and non-executive) in respect of the long-term incentive plan, which are intended to be settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the board members become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss.

Equity participation plans (introduced in 2015)

In 2015, ICT introduced an equity participation plan for all ICT employees with an indefinite employment contract. Once per calendar year the employee is given the opportunity to purchase ICT shares at a discount compared to the stock exchange price. Shares purchased under this plan are subject to a lock-up period of three years. A cash bonus is payable to the employee if, after a vesting period of three years, the employee is still employed at ICT. The cash bonus equals the value at vesting date of one ICT share for every four shares purchased under the scheme.

The fair value of the amounts payable to participating employees in respect of the equity participation plan, which will be settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the participating employees become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss. The discount compared to the stock exchange price is also recognised as employee benefit expenses in profit or loss with offsetting entry towards shareholders' equity ('equity settled') .

The 'Stichting Administratiekantoor Participatieplan ICT', or 'STAK', holds the depositary receipts for the shares under the equity participation plan. Depositary receipts for shares follow the share price, but have different rights. Entitlement to benefits (such as price and dividend) are identical, but legal ownership (such as voting rights) rests with the STAK board. The STAK board acts as a single shareholder and represents the votes of the employees participating in the equity participation plan.

4.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.19 EMPLOYEE BENEFITS

With effect from 1 January 2014 all pensions of the ICT Group are qualified as defined contribution plans.
For these plans ICT Group has no other obligations than to pay a contribution into a separate entity. ICT Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and are included in employee benefit expenses.

4.20 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

4.21 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance leases. The Company has no finance leases.

4.22 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

4.23 REVENUE RECOGNITION

Revenue is measured at the transaction price of the performance obligation satisfied and represents amounts receivable for services and goods provided, stated net of discounts and value added taxes.

The Company recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer.

ICT recognises revenue upon the satisfaction of performance obligations, which occurs when control of the good or service transfers to the customer. Control can transfer at a point in time or over time. Control refers to the customer's ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. It also includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

For the recognition of the performance obligations at a point in time or over time, ICT first evaluates at inception of the contract whether it transfers control over time, and if not, then it transfers control at a point in time. If one of the criteria of IFRS 15.35 is met, then control is transferred over time and hence revenue is recognised according to the pattern of transfer of control. Based on ICT's project portfolio all criteria as recorded in IFRS 15.35 are applied.

For each performance obligation that is satisfied over time, ICT applies a single method of measuring progress toward complete satisfaction of the obligation; the input method.

For fixed price projects this would generally result in the following costs incurred:
i) Labour: based on actual time (hours) spend;
ii) Materials and licenses: based on costs incurred once installed or delivered to the customer (materials and licenses not yet installed or delivered are recorded as inventory). In addition cost of materials and licenses that have been delivered to the client, but have not yet been installed, used or applied during the contract performance are excluded from the progress calculation (cost-to-cost), unless these materials and licenses are specially for the contract (e.g. everything that cannot be used in another contract).

Progress is measured based on costs incurred for hours spent and materials and licenses delivered, compared to the total estimated costs of the project. To determine revenue for the current period, revenue recognised in previous periods is deducted from revenue as calculated above. The actual cost for hours spent is the actual hours at the actual hourly rate of the respective employee.

For time and material projects revenues are recognised in the accounting period in which the hours are made and control over the materials is transferred.

Service revenues are recognised in the accounting period in which the services are rendered.

When the outcome of a fixed price project cannot be estimated reliably, project revenue is recognised only to the extent of project costs incurred that are likely to be recoverable. Warranty costs and project losses are recognised immediately. Warranties related to software solutions, if any, are of a short-term nature.

In case of fixed-price projects, the customer pays the fixed amount based on a payment schedule. If the related services rendered by the Company exceed the payment, revenue to be invoiced (‘the contract assets’) is recognised. If the payments exceed the related services rendered, a contract liability is recognised.

Some contracts include multiple deliverables, such as delivering a software solution and maintenance. The maintenance could be performed by another party separate from the delivering of the software solution. Therefore, the maintenance is accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Revenue recognition for licenses which are not part of a fixed price project or are a separate performance obligation is assessed on an individual basis. Revenues of right to use licenses are recognised at a point in time. Licenses based on in- or outputs (e.g. per week, month, quarter, year) are recognised overtime.

4.24 OPERATING EXPENSES

Expenses arising from the Company’s business operations are accounted for as operating expenses in the year incurred.
Losses are recognised as soon as they are foreseen.

4.25 DEPRECIATION AND AMORTISATION

Depreciation of property, plant and equipment and amortisation of intangible assets other than goodwill (software and licenses, customer relations, order backlog, brand names and development costs) is calculated on the basis of fixed percentages of the acquisition value less any residual values based on expected useful economic lives.

4.26 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

4.27 DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

4.28 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4.29 RESULT FROM JOINT VENTURES

Results from joint ventures are recognised as the net profit or loss after income tax.

4.30 RESULT FROM ASSOCIATES

Results from associates are recognised as the net profit or loss after income tax.

4.31 ACCOUNTING PRINCIPLES FOR DETERMINING THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement is drawn up using the direct method. Receipts and expenses related to interest, dividends received and corporate income tax are included in the cash flows from operating activities. Dividends paid are included in the cash flows from financing activities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the financial statements, management has to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The actual outcome may differ from these judgments, estimates and assumptions. Judgments, estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations about future events, which are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The Company considers the following accounting policies, judgments, estimates and assumptions as critical:

Measurement of fixed price projects

The use of the percentage-of-completion method requires the Company to measure the progress of the services performed to date as a proportion of the total services to be performed as far as the progress to which services were performed on the balance sheet date can be determined reliably and the incurred expenses to complete the transaction can be estimated reliably. ICT applies a single method of measuring progress toward complete satisfaction of the obligation; the input method.

In the event of circumstances that interfere with the initially estimated revenue, costs or planned activities, estimates will be revised. These revisions might influence future revenue or costs. These revisions are processed in the period in which the circumstances that lead to changed estimates arise.

If the result of an ongoing project on behalf of third parties cannot be estimated reliably, income shall only be accounted for up to the project costs incurred, insofar as they are probable to be covered by the project income.

Acquisitions and fair value estimates

Goodwill arising from the acquisition of a business is valued at cost upon initial recognition, this being the difference between the cost of the business and the interest of the Company in the net fair value of the identifiable assets, liabilities and contingent liabilities. The individual valuation of the identifiable assets, liabilities and contingent liabilities involves estimates (such as the expected cash flows and the discount factor).

Impairment review of goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates on expected future cash flows, the CGU and the discount factor. The free cash flow projections and key assumptions are subject to risks and uncertainties that could cause future results to differ materially from current expectations. Our FTE and revenue (productivity and tariff) growth rates are primarily driven by market demand, which could be impacted by a deterioration in macro-economic conditions or lower demand from our clients. Additionally, the assumptions for the discount rate are based on those for comparable companies and are driven by market conditions. Changes in these measures could have an impact on the value in use of the CGUs. See note 8 for information on goodwill impairment tests and key assumptions used.

Impairment of joint ventures and associates

The Company assesses at the end of each reporting period whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates or joint ventures. The calculations of recoverable amounts (the higher of value in use and the fair value less costs of disposal), which are prepared in the event of triggering events, require the use of estimates on expected future cash flows, the discount factor and the fair value less cost of disposal. The free cash flow projections and key assumptions are subject to risks and uncertainties that could cause future results to differ materially from current expectations. Our revenue and EBIT (earnings before interest and tax) margin growth rates are primarily driven by market demand and circumstances, which could be impacted by a deterioration in macro-economic conditions or lower demand from our clients. Additionally, the assumptions for the discount rate are based on those for comparable companies and are driven by market conditions. Finally, market quoted prices and/or market transactions may be limited or not available to measure fair values. Changes in these measures could have an impact on the value in use of the joint ventures and associates.

Corporate taxes

The Company is subject to income taxes in different jurisdictions. Judgment is required in determining the deferred tax asset on tax losses carry-forward positions. There are uncertain factors that influence the amount of the tax losses carry-forward. The Company recognises deferred tax assets on tax losses carry-forward based on its best estimates. When the actual results are different from the amounts that were initially estimated, such differences will impact the income tax in the income statement and the deferred tax assets and/or deferred tax liabilities in the period in which these deviations occur.

6. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

General

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Company policy is geared towards managing these risks, insofar as relevant.

The Executive Board has overall responsibility for the establishment and oversight of the Company's risk management. The Company has established risk management policies to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the aforesaid limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of risk management in relation to the risks faced by the Company.

The Company does not have significant exposure to financial risks allied to derivatives. The Company is primarily exposed to financial risks with regards to its working capital. In addition, the Company's financial instruments are primarily measured at amortised cost, with the exception of the share purchase liability, which is measured at fair value.

a) Fair value risk

The Company has no significant exposure to changes in the fair value of its financial instruments. The financial instruments measured at fair value are the share purchase liability for key management personnel and employees, and the deferred acquisition liability. Management has no formal objective or policies for managing this financial risk, because the risk is considered to be limited.

b) Interest rate risk

ICT considers interest rate risks to be limited because the Company's results are not materially sensitive to changes in market interest rates on the Company's interest-bearing debts. Furthermore the Company has no significant amount of interest-bearing financial assets. Management has no formal objective or policies for managing this financial risk, because the risk is considered to be limited.

Sensitivity analysis	Change	Impact	On	Assumption
Interest rate	+ 100 bps	+ € 0.1 million	Financial charges	Average net debt 2018
Interest rate	+ 250 bps	+ € 0.2 million	Financial charges	Average net debt 2018

c) Currency risk

The Company is not exposed to any significant currency risks. Virtually all transactions are conducted in Euros and the Company does not have significant operations in non-Euro countries. The Company's results are therefore not sensitive to changes in currency exchange rates. Management has no formal objective or policies for managing this financial risk, because the risk is considered to be limited.

d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company's objective is to minimise its credit risk. The Company's exposure to credit risk is primarily influenced by the individual characteristics of each client. New customers are analysed individually for creditworthiness before payment terms and conditions are offered. The Company's review may include external ratings, the services of a credit insurance institution where relevant and available, and in some cases bank references. In addition ICT has a global credit insurance for all group companies.

No significant losses have occurred during the last few years and ICT assesses the credit risks to which it is exposed as lower than average because of the good reputation and the creditworthiness of most of its clients. For transactions with banks and other financial institutions, only parties with a good creditworthiness are accepted, significantly reducing the credit risk on monetary assets. The Company has one customer that accounts for between 13% and 15% (2017: 16% and 18%) of the Company's annual revenues. This customer has a credit rating of Baa1 (Moody's). There have been no collectability issues with respect to this client. The Company establishes a provision for doubtful receivables that represents its estimate of incurred losses in respect of outstanding receivables with customers. See note 14 of the financial statements for further disclosures on credit risk.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company performs periodic cash flow forecasting to monitor the Company's liquidity requirements. This is performed to ensure it has sufficient funds to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing at all times, so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The cash flow forecasts take into consideration any debt financing, if relevant, and covenant compliance.

The Company's liquidity risk is considered to be low given its reasonable cash position and the positive net working capital. However, the Company also has high so-called operational leverage, which involves a risk that makes a cash buffer desirable.

The bank facilities in 2018 are unchanged compared to 2017. In 2017 ICT extended its credit facilities to € 23.5 million in total. The working capital credit facility (facility A) is € 10 million and the acquisition credit facility (facility B) € 11 million. The guarantee facility was extended to € 2.5 million in 2017.

At year-end 2018 ICT had called on the acquisition facility (facility B) for the amount of € 8.5 million (31 December 2017: € 6.6 million) and had not used the working capital credit facility (facility A).

The covenant requirements include a Senior Net Debt to EBITDA ratio (max. 2), an asset cover test, a revenue cover test and a clean down period of three consecutive business days per year. In 2018 and as per 31 December 2018, the Company complied with all quarterly and annual bank covenant requirements.

The table below divides the Company's non-derivative financial liabilities into the relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Financial liabilities			**31 December 2018**
(x € 1,000)	**Less than 3 months**	**3 months to 1 year**	**1-5 years**
Trade payables	4,032	-	-
Corporate income tax payable	1,075	-	-
Other taxes and social security premiums	8,979	-	-
Deferred acquisition consideration *)	-	3,697	-
Other current liabilities	-	11,086	-
Acquisition financing (Long and short term loans) *)	923	2,746	5,064
Bank overdrafts	-	-	-
Total	**15,009**	**17,529**	**5,064**

*) Balances as reported per year end plus interest to be unwinded till settlement date (total expected cash outflow).

Financial liabilities			**31 December 2017**
(x € 1,000)	Less than 3 months	3 months to 1 year	1-5 years
Trade payables	3,296	-	-
Corporate income tax payable	410	-	-
Other taxes and social security premiums	7,731	-	-
Deferred acquisition consideration *)	-	-	3,478
Other current liabilities	-	8,939	-
Acquisition financing (Long and short term loans) *)	645	1,920	4,247
Bank overdrafts	250	-	-
Total	**12,332**	**10,859**	**7,725**

*) Balances as reported per year end plus interest to be unwinded till settlement date (total expected cash outflow).

f) Capital management

The Executive Board's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists primarily of share capital, share premium, currency translation reserve, legal reserve and retained earnings. With regards to capital management, the Company strives to retain sound solvency and liquidity levels.

7. PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement of the property, plant and equipment for the years presented:

			2018			2017
(x € 1,000)	**Computer equipment**	**Other tangible fixed assets**	**Total**	Computer equipment	Other tangible fixed assets	Total
Cost						
1 January	**1,762**	**2,966**	**4,728**	**2,045**	**2,423**	**4,468**
Arising on acquisition	1,570	1,253	2,823	12	-	12
Divestments	(794)	(29)	(823)	-	-	-
Additions	690	587	1,277	457	1,304	1,761
Disposals	-	-	-	(752)	(761)	(1,513)
31 December	**3,228**	**4,777**	**8,005**	**1,762**	**2,966**	**4,728**
Accumulated depreciation						
1 January	**(839)**	**(976)**	**(1,815)**	**(1,230)**	**(761)**	**(1,991)**
Depreciation (arising on acquisition)	(1,153)	(642)	(1,795)	-	-	-
Divestments	793	29	822	-	-	-
Depreciation	(478)	(721)	(1,199)	(321)	(548)	(869)
Disposals	-	-	-	712	333	1,045
31 December	**(1,677)**	**(2,310)**	**(3,987)**	**(839)**	**(976)**	**(1,815)**
Net book value 1 January	**923**	**1,990**	**2,913**	**815**	**1,662**	**2,477**
Net book value 31 December	**1,551**	**2,467**	**4,018**	**923**	**1,990**	**2,913**

No leased items are included in property, plant and equipment. Residual values are considered to be zero. The carrying amount approximates the estimated fair value of the assets.

Other tangible fixed assets mainly include furniture, fittings and other equipment.

8. GOODWILL

The movements in goodwill can be summarised as follows:

(x € 1,000)	2018	2017
At 1 January		
Cost	28,388	27,931
Accumulated impairment	(6,080)	(6,080)
Net book value	**22,308**	**21,851**
Movement in cost		
Arising on acquisition	6,563	457
	6,563	**457**
At 31 December		
Cost	34,951	28,388
Accumulated impairment	(6,080)	(6,080)
Net book value	**28,871**	**22,308**

The goodwill arising on acquisitions in 2018 pertains to € 1,751 thousand NedMobiel B.V., € 4,400 thousand InTraffic B.V., € 348 thousand for the activities of CIS Solutions GmbH and € 64 thousand for the activities of ICT Motar B.V.
The goodwill arising on acquisitions in 2017 pertains to € 368 thousand High Tech Solutions B.V. and € 89 thousand for the activities of Telemedical Holding B.V. (BMA Telenatal B.V.).

For the purpose of impairment testing, goodwill is allocated to CGUs, which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes. This is not higher than the Company's operating segments as reported in note 21. The following CGUs have goodwill allocated as at 31 December 2018:

(x € 1,000)	2018	2017
ICT Netherlands	13,778	13,778
Strypes Bulgaria	1,009	1,009
Raster	3,003	3,003
Improve	2,189	2,189
BMA	2,329	2,329
NedMobiel	1,751	-
InTraffic	4,400	-
CIS Solutions	348	-
ICT Motar	64	-
Total	**28,871**	**22,308**

Impairment test
The recoverable amounts of the cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on a five or nine-year business and financial plan with 2019 as the first year. Cash flows beyond this period are first interpolated towards a steady state year, after which a terminal value is calculated. The value-in-use is calculated as the net present value of the estimated post-tax cash flow projections for each CGU, subject to the key assumptions stated below.

Key assumptions
Post-tax cash flow projections in the value-in-use calculation are mainly dependent on the development of the revenue growth rate and the profitability, as represented by the EBIT margin. Management estimated these assumptions based on past performance and its expectations of market developments.

A terminal value was calculated on the normalised cash flows beyond the extrapolated forecast period. For the estimated growth rates used, we refer you to the table below.

The growth rate is based on long-term market price trends adjusted for ICT's actual experience. The weighted average pre-tax and post-tax discount rates, the key assumptions (weighted average over the management forecast and extrapolated forecast periods) per CGU used for the value-in-use calculations and the terminal value growth rates are as follows:

	ICT Nether-lands	Strypes Bulgaria	Raster	Improve	BMA	NedMobiel	InTraffic	CIS Solutions GmbH	Orange NXT
WACC pre-tax: 2018	13.1%	13.3%	13.1%	13.1%	13.1%	13.1%	13.1%	23.9%	22.3%
WACC pre-tax: 2017	13.4%	13.7%	13.2%	13.3%	13.2%	-	-	-	-
WACC post tax: 2018	9.8%	12.0%	9.8%	9.8%	9.8%	9.8%	9.8%	16.7%	16.7%
WACC post tax: 2017	10.3%	12.4%	10.3%	10.3%	10.3%	-	-	-	-
Management forecast									
Forecast period (in years)	5	5	5	5	9	5	9	9	5
Revenue growth rate	2.8%	7.4%	4.5%	4.3%	3.2%	3.5%	-0.5%	16.0%	46.3%
EBIT margin improvement	-1.3%	0.1%	4.4%	5.0%	12.7%	-5.3%	-2.7%	12.1%	6.5%
Extrapolated period									
Growth rate 2018	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Growth rate 2017	1.0%	1.0%	1.0%	1.0%	1.0%	-	-	-	-

Impairment analysis results
The carrying value and headroom per CGU (after goodwill impairment) can be specified as follows:

(x € 1 million)	ICT Nether-lands	Strypes Bulgaria	Raster	Improve	BMA	NedMobiel	InTraffic	CIS Solutions GmbH	Orange NXT
Carrying value	42.7	4.4	6.1	2.5	6.4	2.9	8.4	0.4	0.3
Value in use	83.7	20.2	10.4	7.7	6.8	4.0	10.6	1.4	5.9
Headroom	41.0	15.8	4.3	5.2	0.5	1.0	2.2	1.0	5.7

The impairment analyses in 2018 and in 2017 did not result in an impairment.

Sensitivity analysis

The impairment analysis for the goodwill allocated to ICT Netherlands, Strypes Bulgaria, Improve, Raster, BMA, NedMobiel and InTraffic shows headroom between the CGUs recoverable amount and its carrying amount according to the table above. The table below shows, for each CGU, the percentage point change per key assumption resulting in a headroom of nil.

Allowed percentage point change	ICT Netherlands	Strypes Bulgaria	Raster	Improve	BMA	NedMobiel	InTraffic	CIS Solutions GmbH	Orange NXT
Management forecast period									
Revenue growth rate	-13.4%	-34.6%	-10.6%	-21.8%	-1.0%	-5.8%	-4.4%	-23.4%	-140.6%
EBIT margin deterioration (basis points)	-5.0%	-14.7%	-8.9%	-12.1%	-0.9%	-2.7%	-1.4%	-7.5%	-16.7%
Discount rate (WACC)	8.2%	36.5%	6.1%	17.0%	0.6%	3.0%	2.8%	20.4%	-
Extrapolated period									
Growth rate	-34.5%	-	-24.7%	-	-1.3%	-12.5%	-24.6%	-	-

9. OTHER INTANGIBLE ASSETS

The following table shows the movement of the other intangible assets for the years presented:

	2018						2017					
(x € 1,000)	**Software and licenses**	**Development costs**	**Customer relations**	**Order backlog**	**Other intangible assets**	**Total**	Software and licenses	Development costs	Customer relations	Order backlog	Other intangible assets	Total
Cost												
1 January	7,057	494	10,402	971	1,216	20,140	6,454	202	9,797	832	1,216	18,501
Arising on acquisition	-	-	3,799	637	1,300	5,736	-	-	605	139	-	744
Additions	420	1,004	-	-	31	1,455	580	292	-	-	-	872
Disposals	-	-	-	-	-	-	23	-	-	-	-	23
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
31 December	**7,477**	**1,498**	**14,201**	**1,608**	**2,547**	**27,331**	**7,057**	**494**	**10,402**	**971**	**1,216**	**20,140**
Accumulated amortisation												
1 January	(2,469)	(30)	(3,225)	(971)	(291)	(6,986)	(1,514)	-	(1,798)	(832)	(139)	(4,283)
Arising on acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation	(876)	(187)	(1,901)	(570)	(217)	(3,751)	(942)	(30)	(1,427)	(139)	(152)	(2,690)
Disposals	-	-	-	-	-	-	(13)	-	-	-	-	(13)
31 December	**(3,345)**	**(217)**	**(5,126)**	**(1,541)**	**(508)**	**(10,737)**	**(2,469)**	**(30)**	**(3,225)**	**(971)**	**(291)**	**(6,986)**
Net book value 1 January	**4,588**	**464**	**7,177**	**-**	**925**	**13,154**	**4,940**	**202**	**7,999**	**-**	**1,077**	**14,218**
Net book value 31 December	**4,132**	**1,281**	**9,075**	**67**	**2,039**	**16,594**	**4,588**	**464**	**7,177**	**-**	**925**	**13,154**

Additions to Software and licenses and Development costs include € 380 thousand of software development not ready for use at 31 December 2018 (31 December 2017: € 736 thousand). At 31 December 2018 the other intangible assets concern the trade name of InTraffic and distribution rights and at 31 December 2017 primarily distribution agreements.

The (average) remaining amortisation period is for:

Software and licenses	5-8 years
Customer relations	5-10 years
Order backlog	in line with contracted period
Other intangible assets	8 years
Development costs	5 years

10. INVESTMENT IN JOINT VENTURES

On 21 March 2018, ICT completed the purchase of the remaining 50% of the shares of InTraffic B.V. ('InTraffic') from former joint venture partner Movares Group B.V. ICT now holds 100% of the shares of InTraffic. Until 21 March 2018 InTraffic was classified as a joint venture.

11. INVESTMENT IN ASSOCIATES

On 31 December 2018 ICT Group N.V. has two associates: a 20% participation in LogicNets Inc. and a 19,57% participation in Greenflux Assets B.V.

On 11 June 2018 energy company Eneco Group and independent investment fund SET Ventures have both acquired a minority stake in Amsterdam-based GreenFlux Assets BV ('GreenFlux'), as part of a total Series B round of € 11 million in two rounds. Existing shareholders BOM Brabant Ventures and ICT Group NV also participated in the first round. The first round resulted in a dilution of ICT 'stake in GreenFlux from 24,49% to 19,57%. As a result of this round the profit on dilution is € 565 thousand positive. Since, ICT's rights as a shareholder did not change ICT will continue to have significant influence over GreenFlux. Part of transaction was the conversion of the convertible loan of € 438 thousand into GreenFlux shares.

Until 27 September 2018 ICT had 40% of the potential voting rights in CIS Solutions GmbH. On 28 September 2018 ICT obtained 66% of the shares of CIS Solutions GmbH, resulting in a transfer from associates to subsidiaries. For the disclosure of the acquisition see note 3.

Until 24 November 2017 ICT had a 25% participation in Strypes Nederland B.V. through Strypes EOOD Ltd.

The following table shows the summarised financial information of the investments in and the results from associates:

(x € 1,000)	LogicNets Inc.	GreenFlux Assets B.V.	CIS Solutions GmbH	Total	LogicNets Inc.	Greenflux Assets B.V.	CIS Solutions GmbH	Strypes Nederland B.V.	Total
				2018					2017
As at 1 January	**-**	**380**	**39**	**419**	**510**	**517**	**53**	**575**	**1,655**
Additions									
Acquisition	-	-	-	-	-	-	65	-	65
Conversion of receivables	-	328	-	328	-	-	-	-	-
Conversion of convertible loan	-	438	-	438	-	-	-	-	-
Profit on dilution share in GreenFlux from 24,49% to 19,57%	-	565	-	565	-	-	-	-	-
	-	**1,331**	**-**	**1,331**	**-**	**-**	**65**	**-**	**65**
Share in the profit (loss)	-	(424)	(19)	(443)	(126)	(72)	(79)	73	(204)
Result from sale excluding profit from release of tax liability	-	-	-	-	-	-	-	67	67
Impairment	-	-	-	-	(404)	-	-	-	(404)
Result from associates	**-**	**(424)**	**(19)**	**(443)**	**(530)**	**(72)**	**(79)**	**140**	**(541)**
Decrease									
Conversion 40% to 66% (change to subsidiary)	-	-	(20)	(20)	-	-	-	-	-
Divestment	-	-	-	-	-	-	-	(715)	(715)
Intercompany profit eliminations	-	(128)	-	(128)	-	(65)	-	-	(65)
Currency translation	-	-	-	-	20	-	-	-	20
As at 31 December	**-**	**1,159**	**-**	**1,159**	**-**	**380**	**39**	**-**	**419**

12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax includes carry-forward losses for ICT Germany (until 2017) and differences between the carrying values and the tax base of certain assets and liabilities, resulting in temporary differences. The movement in the deferred tax position is as follows:

(x € 1,000)	Deferred tax assets	Deferred tax liabilities	Total	Deferred tax assets	Deferred tax liabilities	Total
			2018			2017
Balance as at 1 January	**176**	**(2,915)**	**(2,739)**	**2,056**	**(3,414)**	**(1,358)**
Charged to the balance sheet:						
Intangible fixed assets - Customer relations	-	(950)	(950)	-	(151)	(151)
Intangible fixed assets - Order backlog	-	(159)	(159)	-	(35)	(35)
Intangible fixed assets - Other intangibles	-	(325)	(325)	-	-	-
Subtotal	-	*(1,434)*	*(1,434)*	-	*(186)*	*(186)*
Gain / (loss) charged to the income statement:						
Intangible fixed assets - Software	-	94	94	-	142	142
Intangible fixed assets - Customer relations	-	475	475	-	357	357
Intangible fixed assets - Order backlog	-	143	143	-	35	35
Intangible fixed assets - Other intangibles	-	54	54	-	38	38
Utilisation	-	-	-	(2,009)	-	(2,009)
Sale Strypes Nederland B.V.	-	-	-	-	113	113
Other	90	-	90	129	-	129
Subtotal	*90*	*766*	*856*	*(1,880)*	*685*	*(1,195)*
Balance as at 31 December	**266**	**(3,583)**	**(3,317)**	**176**	**(2,915)**	**(2,739)**

2018

The increase of deferred tax liabilities in 2018 relates to the acquired intangible assets of NedMobiel and InTraffic.

NedMobiel

Customer relations and order backlog have been identified and valued as a part of a Purchase Price Allocation exercise. Customer relations have been valued for € 799 thousand to be amortised over a period of 8 years as from acquisition date. Order backlog has been valued at € 237 thousand to be amortised over a period of 1 year in 2018. As a result, the total amortisation amounts to € 337 thousand in 2018 (€ 100 thousand on customer relations, € 237 thousand on order backlog).
Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability, that will be released during the amortisation period. In 2018, the amortisation related to NedMobiel amounted to € 337 thousand. The deferred tax effect amounted to 25% or € 84 thousand.

InTraffic

Customer relations, order backlog and brand name have been identified and valued as a part of a Purchase Price Allocation exercise. Customer relations have been valued for € 3.0 million to be amortised over a period from 6 to 15 years as from acquisition date. Order backlog has been valued at € 400 thousand to be amortised over a period of 11 months. Brand name has been valued at € 1.3 million to be amortised over a period of 8 years. As a result, the total amortisation amounts to € 720 thousand in 2018 (€ 322 thousand on customer relations, € 333 thousand on order backlog and € 65 thousand on brand name).

Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability, that will be released during the amortisation period. In 2018, the amortisation related to InTraffic amounted to € 720 thousand. The deferred tax effect amounted to 25% or € 180 thousand.

From the deferred tax liabilities the non-current portion amounts to € 2,813 thousand as at 31 December 2018 (31 December 2017: € 2,383 thousand).

2017

The increase of deferred tax liabilities in 2017 related to the acquired intangible assets of High Tech Solutions B.V. ('HTS'). Customer relations and order backlog had been identified and valued as a part of a Purchase Price Allocation. The valuation analysis included a deferred tax liability for the tax differences that will be released during the amortisation period. Customer relations had been valued for € 605 thousand to be amortised over a period of 5 years as from acquisition date. Order backlog had been valued at€ 139 thousand to be amortised over a period of 4 months in 2017. As a result the total amortisation related to HTS amounted to € 210 thousand in 2017 (€ 71 thousand on Customer relations, € 139 thousand on order backlog). Amortisation is not expected to be tax deductible. In 2017 the deferred tax related to the amortisation of HTS amounted to 25% or € 52 thousand. The deferred tax release related to the previous year's acquisitions amounted to € 520 thousand. The sale of Strypes Nederland B.V. resulted in a deferred tax release of € 113 thousand.

The utilisation of deferred tax assets in 2017 related to the last off-set of the tax loss of ICT Germany with the taxable income in the Netherlands. As at 31 December 2017 the deferred tax asset related to the liquidation of ICT Germany has been fully utilised.

13. OTHER FINANCIAL ASSETS

The other financial assets as at 31 December 2018 amount to € 210 thousand (2017: € 863 thousand).

14. TRADE AND OTHER RECEIVABLES

Trade receivables are non-interest bearing and generally have a payment term of 30-90 days. The fair value of the trade and other receivables approximates their book value. Revenues to be invoiced also include fixed price projects (net of any current warranty and other project related accruals).

(x € 1,000)	**2018**	2017
Trade receivables (gross)	22,904	20,829
Less: provision for doubtful receivables	(325)	(232)
Trade receivables (net)	22,579	20,597
Receivables from affiliated companies	1,201	1,261
Revenue to be invoiced	11,716	9,932
Inventories	372	216
Other receivables	1,074	501
Prepayments and accrued income	1,346	1,001
Balance as at 31 December	**38,288**	**33,508**

Prepayments and accrued income include € 383 thousand > 1 year (2017: € 204 thousand > 1 year).

The movement of the provision for doubtful receivables is as follows:

(x € 1,000)	2018	2017
Balance as at 1 January	**232**	**133**
Additions	126	139
Reversed unused	(13)	(40)
Utilised	(20)	-
Balance as at 31 December	**325**	**232**

The outstanding trade and other receivables that are not subject to impairment as per 31 December can be specified as follows:

(x € 1,000)	Total	Not overdue	< 30 days past due	30–60 days past due	60-90 days past due	91 - 120 days past due	More than 120 days past due
2018							
• Trade receivables	22,579	16,930	3,778	1,201	262	204	204
• Receivables from affiliated companies	1,201	180	740	42	56	40	143
• Revenue to be invoiced	11,716	11,716	-	-	-	-	-
• Other receivables	1,446	1,446	-	-	-	-	-
Total	**36,942**	**30,272**	**4,518**	**1,243**	**318**	**244**	**347**
2017							
• Trade receivables	20,597	16,230	2,723	782	454	102	306
• Receivables from affiliated companies	1,261	584	347	81	60	189	-
• Revenue to be invoiced	9,932	9,932	-	-	-	-	-
• Other receivables	717	717	-	-	-	-	-
Total	**32,507**	**27,463**	**3,070**	**863**	**514**	**291**	**306**

At 31 December 2018 the doubtful debtor's provision based on the measurement of possible default events within 12 months is higher than the doubtful debtor's provision based on the lifetime expected credit losses derived from historic credit losses in the past 3 years. Therefore, the doubtful debtor's provision based on the measurement of possible default events within 12 months is recorded.

For both the receivables from affiliated companies and revenue to be invoiced no expected credit losses are recorded based on historic credit loss experience. For receivables from associates, the same approach is used as for the determination of the expected credit losses for trade receivables.

The Company has no significant trade and other receivables denominated in currencies other than the Euro.

The Company does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables as disclosed in the table. The fair value of the trade and other receivables approximates its fair value.

Under the Company's credit facility, ICT Group N.V., ICT Automatisering Nederland B.V., Improve Quality Services B.V., ICT Nearshoring B.V., Raster Beheer B.V., Raster Industriële Automatisering B.V., Raster Products B.V., Buro Medische Automatisering B.V., InTraffic B.V. and NedMobiel B.V. have pledged their current and future receivables from trading activities as collateral.

The Company's term between the satisfaction of the performance obligation and receipt was on average 75 days in 2018 (2017: 81 days). This number of days is not considered significant.

Revenue to be invoiced represents the difference between the gross project value and the billing in advance. If progress billings exceed the project value, the excess is recognised under deferred income and progress billings (under current liabilities). The breakdown of the revenue to be invoiced and deferred income and progress billings is as follows:

			2018			2017
(x € 1,000)	**Gross project value**	**Billings issued**	**Total work in progress**	Gross project value	Billings issued	Total work in progress
Net project balances can be split as follows:						
Projects with (net) positive balances	21,692	(9,976)	11,716	16,219	(6,287)	9,932
Projects with (net) negative balances	4,207	(5,636)	(1,429)	2,395	(4,267)	(1,872)
Total	**25,899**	**(15,612)**	**10,287**	**18,614**	**(10,554)**	**8,060**

Not realised revenues from long-term projects

The following table shows not realised performance obligations resulting from fixed-price long-term software projects.

(x € 1,000)	**2018**	2017
Aggregate amount of the transaction price allocated to long-term software projects that are partially or fully not realised as at 31 December	14,228	-*)

*) As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) not realised performance obligations as of 31 December 2017 is not disclosed.

Management expects that 58% will be recognised in the 2019 financial year. The remaining 42% will be recognised in next reporting periods starting from 1 January 2020. All other contracts are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these not realised contracts is not disclosed.

Revenue recognised in relation to projects with (net) negative balances

The following table shows how much of the revenue recognised in the current reporting period relates to projects with (net) negative balances.

(x € 1,000)	**31 December 2018**	31 December 2017 'restated'
Revenue recognised that was included in the contract liability balance at the beginning of the period	1,872	2,680

15. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at free disposal of the Company except for the cash on the blocked bank accounts of € 185 thousand (2017: € 58 thousand). The cash and cash equivalents consist of bank balances bearing interest in line with market interest rates. As at 31 December 2018 bank overdrafts amount to nil (31 December 2017: € 250).

16. SHAREHOLDERS' EQUITY

		Issued share capital (x € 1,000)		
Issued share capital	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2017	**9,288,309**	**929**	**13,768**	**14,697**
• Shares issued				
at 22 May 2017	40,000	4	449	453
at 7 June 2017 stock dividend	82,992	8	(8)	-
	122,992	12	441	453
At 31 December 2017	**9,411,301**	**941**	**14,209**	**15,150**
• Shares issued				
at 13 July 2018 stock dividend	52,577	5	(5)	-
	52,577	5	(5)	-
At 31 December 2018	**9,463,878**	**946**	**14,204**	**15,150**

The Company's authorised share capital amounts to € 3,750,000 divided into 18,700,000 ordinary shares and 18,800,000 cumulative preference shares all with a nominal value of € 0.10 per share. Both the ordinary shares and the cumulative preference shares entitle their holders to one vote per share.

Ordinary shares

2018

At 31 December 2018 the number of outstanding and fully paid-up ordinary shares amounted to 9,463,878. On 13 July 2018 ICT Group N.V. issued 52,577 new shares related to the stock dividend. During 2018, 64,052 ordinary shares were purchased as treasury shares for the equity participation plan for employees.

2017

At 31 December 2017 the number of outstanding and fully paid-up ordinary shares amounted to 9,411,301. On 22 May 2017 ICT Group N.V. issued 40,000 new shares related to the equity participation plan for personnel and the long term investment plan of key management. On 7 June 2017, ICT issued 82,992 new shares related to the stock dividend. During 2017, 26,314 ordinary shares were purchased as treasury shares for the equity participation plan for employees.

Preference shares

No cumulative preference shares had been issued as at year end 2018 and 2017.

Holders of the preference shares are entitled to a cumulative dividend. The dividend per share is based on the nominal value of the share and the average monthly EURIBOR rate, weighted by the number of days the rate was in force, during the financial year to which the dividend relates, plus two percent. If in a given year the cumulative preference dividend was not paid out in full or in part, no dividends shall be distributed to the ordinary shareholders in subsequent years until the shortfall has recovered.

Share premium reserve

In 2018 the share premium reserve has decreased by € 5,000 related to the stock dividend. In 2017 the share premium reserve increased by € 449,000 related to the newly issued shares for the long term incentive plan for key management and the newly issued shares for the equity participation plan for employees and decreased by € 8,000 related to the stock dividend.

Treasury shares

When ICT purchases own shares, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Purchased own shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are subsequently sold, the amount received is recognised as an increase in equity treasury share reserve and the resulting surplus or deficit on the transaction is presented in retained earnings.

The changes in the number of purchased and sold treasury shares in 2018 and 2017 are shown in the following table.

Treasury shares	Number of shares	Average rate in Euros	Treasury shares (x € 1,000)	Retained earnings (x € 1,000)
At 1 January 2017	-	-	-	-
• Purchased treasury shares in 2017 for the personnel share plan	26,314	12.58	331	-
• Sold treasury shares in 2016 for the personnel share plan	(26,314)	11.71	(308)	-
• Loss transfer to retained earnings	-		(23)	(23)
At 31 December 2017	**-**		**-**	**(23)**
• Purchased treasury shares in 2018 for the personnel share and key management plans	64,052	14.55	932	-
• Sold treasury shares in 2018 for the personnel share and key management plans	(44,126)	15.66	(691)	-
• Profit transfer to retained earnings	-		49	49
At 31 December 2018	**19,926**	**14.55**	**290**	**49**

The average purchase price of the ordinary treasury shares in 2018 was € 14.55 (2017: € 12.58). On 31 December 2018 ICT possessed 19,926 treasury shares and on 31 December 2017 ICT possessed no treasury shares. The average rate of the possessed treasury shares per 31 December 2018 was € 14.55. The result on the sold treasury shares is transferred to the retained earnings.

Retained earnings

The retained earnings item comprises the net results appropriated to equity less the cumulative dividends paid out of retained earnings in previous years.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The 2018 addition is nil and the 2017 addition was related to LogicNets Inc. The currency translation reserve is a legal reserve and cannot be distributed.

Legal reserve

The legal reserve pertains to capitalised product development expenses and capitalised software development expenses.
In 2017 the legal reserve also included the net profits of InTraffic B.V. Following the step-up acquisition of InTraffic B.V. the legal reserve related to the net profits of InTraffic B.V. has been released to the retained earnings.

This reserve cannot be distributed.

17. SHARE-BASED COMPENSATION AND LONG-TERM EMPLOYEE BENEFITS LIABILITIES

A share-based compensation liability has been recognised for the estimated amount of € 464 thousand (2017: € 296 thousand), as shown in the following table:

(x € 1,000)	**2018**	2017
LTIP Key management personnel	328	152
LTIP Employee equity participation plan	136	144
Total	**464**	**296**

LTIP key management personnel benefit plan (accounted for in accordance with IAS 19)

The long-term incentive plan ('LTIP') is linked to the increase in earnings per share and depends on the amount of the own investment in ICT shares by the relevant key management member. Depending on the increase in earnings per share achieved over a performance period of three years, the key management members will be awarded a long-term cash bonus.
Based on the short-term incentive regulation, the key management member must invest 33% of the amount of the short-term incentive in ICT shares. The investment must be made within a period of two months after the date on which the members become entitled to the amount of the short-term incentive. Purchased shares must be kept for at least three years or until the end of employment if this period is shorter. As such, the lock up period is never longer than the employment period.
In addition to this obligatory investment in ICT's shares, the key management members may annually invest a further sum of up to 33% of the fixed management fee (or fixed salary for those members that are employed instead of paid on basis of a management contract) that was paid in the base year to which the short-term incentive relates.
If, during the three years under review after the base year, the earnings per share has achieved the set target, ICT shall pay a cash bonus equal to 100% of the amount invested in the base year. If the set target is exceeded, the cash bonus can amount up to a maximum of 150% of the invested amount. If the target is not achieved, but the earnings per share is still above or at the threshold level, then the cash bonus equals 50% - 100% of the invested amount. Below the threshold level, there is no cash bonus. The performance criteria and the threshold and maximum levels of the cash bonus are determined each year by the Supervisory Board.

As a cash bonus under this long-term incentive plan is determined solely based on the EPS performance and is not linked to the fair value or share price of the ICT shares during the lock-up period, cash bonuses under this plan are accounted for as long-term employee benefits in accordance with IAS 19. The total expense for the long-term incentive plan for key management plan amounts to € 242 thousand (2017: € 10 thousand).

In 2018 € 66 thousand is paid to key management related to the long-term key management employee benefit plan (2017: € 229 thousand).

LTIP employee equity participation plan (accounted for in accordance with IFRS 2)

All ICT employees with a permanent employment contract can participate in ICT's equity participation plan. Once per calendar year, the employees are given the opportunity to purchase ICT shares at a 13.5% discount on the stock exchange price. The shares have a lock-up period of three years, after which a cash bonus will be granted equal to the value of one ICT share at the time for every four shares purchased if the employee is still working for ICT. The starting date of the first three-year vesting period was 31 December 2015, which first tranche was settled in 2018.

The fair value of the liability as at 31 December 2018 is determined based on the share price as at 31 December 2018 of € 10.45.

The following table provides an overview of the number of shares held by Stichting Administratiekantoor Participatieplan ICT ('the STAK') for investments made by employees under the equity participation plan:

Number of shares	**2018**	2017
Balance 1 January	**111,920**	**72,419**
Purchased shares by employees during the year	24,560	39,501
Sold shares by employees during the year	(14,398)	-
Balance 31 December	**122,082**	**111,920**

As at 31 December 2018, 122,082 shares are held by the STAK (31 December 2017: 111,920 shares). The estimated cash bonus for the unsettled tranches is expensed over the vesting period, which results in a liability of € 136 thousand as 31 December 2018 (31 December 2017: € 144 thousand). The total expense for the equity participation plan amounts to € 156 thousand (2017: € 164 thousand), of which € 56 thousand relates to the discount on the shares purchased by employees during the year (2017: € 62 thousand).
In 2018, cash bonuses were paid to participating employees for the first tranche from 2015 for an amount of € 109 thousand.

18. LOANS

At year-end 2018 the Company had called on the acquisition facility (facility B) for the amount of € 8,510 thousand (2017: € 6,620 thousand). Drawings under the acquisition facility (facility B) are repayable in four years, in quarterly instalments. As at 31 December 2018 the last instalment will be in the last quarter of 2022. The quarterly instalments from the 2015 drawings amount to € 190 thousand, the quarterly instalments from the 2016 drawings amount to € 425 thousand and the quarterly instalments from the 2018 drawings amount to € 272 thousand. Consequently, an amount of € 3,548 thousand (2017: € 2,460 thousand) has been presented as short-term loans under current liabilities and an amount of € 4,962 thousand (2017: € 4,160 thousand) has been presented as long-term loans.
The loans from the 2015 and 2016 drawings carry a variable interest rate of 1 month EURIBOR + 1.95% (2017: 1 month EURIBOR + 1.95%) and the loan drawn in 2018 carries a variable interest rate of 3 months EURIBOR + 1.50%. For further details on the credit facilities see to notes 6 and 31.

The carrying amount of these loans equals the fair value.

Net debt reconciliation

The net debt position as at 31 December 2018 amounts to € 2,332 thousand negative (31 December 2017: € 566 thousand negative). The following tables show the details and the movement of the net debt position:

(x € 1,000)	Cash and cash equivalents	Bank overdrafts	Loans (long-term)	Loans (short-term)	Total
Net debt as at 1 January 2018	**6,500**	**(250)**	**(4,230)**	**(2,586)**	**(566)**
Cash flows	(322)	250	(732)	(962)	(1,766)
Net debt as at 31 December 2018	**6,178**	**-**	**(4,962)**	**(3,548)**	**(2,332)**

19. CURRENT LIABILITIES

The current liabilities are generally paid entirely within the payment period of 0 to 45 days. Only short term loans and bank overdrafts are interest bearing. The interest bearing loans, the deferred acquisition consideration and a part of the other liabilities have a payment period longer than 45 days.

The current liabilities are specified as follows:

(x € 1,000)	**2018**	2017
Trade payables	4,032	3,296
Corporate income tax payable	1,075	410
Other taxes and social security liabilities	8,979	7,731
Loans short term	3,548	2,586
Deferred acquisition consideration	3,689	-
Bank overdrafts	-	250
Deferred income and progress billings	1,429	1,872
Payables to related parties	156	252
Other accruals	654	433
Other liabilities	8,847	6,382
Total	**32,409**	**23,212**

The other liabilities include outstanding costs to be paid to suppliers and employees.

Deferred income and progress billings represents next to progress billings on projects also obligations that ensue from fixed-price projects as warranty and project related accruals. For a breakdown of the accruals and the deferred income and progress billing position see note 14.

The carrying amount of these liabilities does not significantly differ from the fair value.

20. DEFERRED ACQUISITION CONSIDERATION

With regard to the acquisition of BMA in 2016, the deferred acquisition consideration relating to the remaining 49% of the shares of BMA (the second tranche) will be payable after a period of three years after the acquisition date, based on the realised average yearly normalised EBITDA during this period. The earn-out was valued at € 3,014 thousand at the acquisition date and was valued at the amount of € 3,197 thousand at 31 December 2018 (31 December 2017: € 3,261 thousand). The deferred acquisition consideration will be payable no later than 30 June 2019. Therefore the deferred acquisition consideration is presented under current liabilities at 31 December 2018 and under the non-current liabilities at 31 December 2017.

Related to the acquisition of NedMobiel an earn-out consideration is payable in May 2019, determined based on the actual 2018 EBITDA and ranging between € 250 thousand and € 500 thousand. Given the financial performance in 2018 an amount of € 500 thousand will be payable in May 2019.

21. SEGMENT INFORMATION

The Executive Board is the Company's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Executive Board for the purposes of allocating resources and assessing performance. The Executive Board reviews the business from a legal entity level of operating segments in accordance with IFRS 8.

Segment definition

The Company's activities have been divided into legal entities/legal sub-groups. In line with this reporting and organisational structure, the Executive Board decided that the legal entity/sub-group level is the level of the operating segments in accordance with IFRS 8. Consequently, the Executive Board recognised the following operating segments per year-end 2018: ICT Netherlands (including Nozhup and HTS), Strypes Bulgaria, InTraffic, BMA, Improve, Raster, NedMobiel, OrangeNXT, ICT Belgium, ICT Motar, ICT Participations and CIS Solutions.

Two or more operating segments may be aggregated into a single operating segment, when the operating segments have characteristics so similar that they can be expected to have essentially the same future prospects.
As a result of the above the Executive Board concluded that besides ICT Netherlands and Strypes Bulgaria the other operating segments can be aggregated.

On the other hand, IFRS 8 states quantitative thresholds for when an operating segment needs to be disclosed as standalone. An entity shall report information about an operating segment separately if it meets certain quantitative thresholds. Applying these thresholds, the Executive Board notes that ICT Netherlands, Strypes Bulgaria and InTraffic should be presented as separate segments. The other entities, which were recognised as operating segments, do not meet these thresholds and therefore are presented aggregated as 'Other'.

The thresholds for Revenue, Profit or Loss and Assets are measured as follows:

a) Revenue:	Revenue as reported by the legal entity or the aggregated group to which the legal entity belongs.
b) Operating Profit:	Operating profit as reported by the legal entity or the aggregated group to which the legal entity belongs including an allocation of amortisation charges on 'other intangible fixed assets' for which also the book value is allocated, but excluding goodwill (symmetrical allocation with assets).
c) Assets:	Total assets of the legal entity or the aggregated group to which the legal entity belongs including an allocation of the book value of 'other intangible fixed assets' for which also amortisation charges are allocated (symmetrical allocation with Operating Profit).

Sales between entities are carried out at arm's length. The revenue from external parties is measured in a manner consistent with that in the consolidated statement of comprehensive income.

2018

(x € 1,000)	ICT Netherlands	Strypes Bulgaria	InTraffic*)	Other	Eliminations	Consolidated
Revenue						
Revenue from professional services	79,190	8,589	13,398	12,603	-	113,780
Revenue from solutions / products	8,227	-	1,162	6,685	-	16,074
Total from clients	**87,417**	**8,589**	**14,560**	**19,288**	**-**	**129,854**
Inter-segment	1,881	1,280	26	768	(3,955)	-
Total revenue	**89,298**	**9,869**	**14,586**	**20,056**	**(3,955)**	**129,854**
Operating expenses directly attributable to the operating segments	63,116	5,892	9,863	13,169	(3,955)	88,085
Segment Gross profit	**26,182**	**3,977**	**4,723**	**6,887**	**-**	**41,769**
Allocated operating expenses *)	15,385	2,080	4,221	6,609	-	28,295
Operating profit before amortisation and depreciation	**10,797**	**1,897**	**502**	**278**	**-**	**13,474**
Allocated amortisation and depreciation	1,465	684	962	1,839	-	4,950
Operating profit	**9,332**	**1,213**	**(460)**	**(1,561)**	**-**	**8,524**
Financial expenses						(886)
Financial income						261
One-off accounting gains						4,083
Result from joint ventures						58
Result from associates						(443)
Result before taxes						**11,597**
Taxes						(2,099)
Net profit						**9,498**
Segment Assets	44,183	5,890	10,190	35,379	-	**95,642**
Segment Liabilities	16,609	779	5,311	18,719	-	**41,418**
Other notes						
Operating profit before amortisation and depreciation/ total revenue *)	12.1%	19.2%	3.4%	1.4%	-	**10.4%**
Average number of employees (FTE)	764	154	88	128	-	**1,134**

*) Including € 750 thousand one-off costs related to the contract termination fees at InTraffic.

The segment assets and liabilities resulting from the investments in joint ventures and associates (see note 10 and 11) are recorded in the segment Other.

2017

(x € 1,000)	ICT Netherlands	Strypes Bulgaria	Other	Eliminations	Consolidated
Revenue					
Revenue from professional services	74,622	8,509	8,697	-	91,828
Revenue from solutions / products	5,962	-	7,199	-	13,161
Total from clients	**80,584**	**8,509**	**15,896**	**-**	**104,989**
Inter-segment	694	1,132	487	(2,313)	-
Total revenue	**81,278**	**9,641**	**16,383**	**(2,313)**	**104,989**
Operating expenses directly attributable to the operating segments	58,648	5,643	10,177	(2,313)	72,155
Segment Gross profit	**22,630**	**3,998**	**6,206**	**-**	**32,834**
Allocated operating expenses	14,367	2,120	4,349	-	20,836
Operating profit before amortisation and depreciation	**8,263**	**1,878**	**1,857**	**-**	**11,998**
Allocated amortisation and depreciation	1,386	709	1,464	-	3,559
Operating profit	**6,877**	**1,169**	**393**	**-**	**8,439**
Financial expenses					(546)
Financial income					62
Result from joint ventures					113
Result from associates					(541)
Result before taxes					**7,527**
Taxes					(1,915)
Net profit					**5,612**
Segment Assets	37,866	6,907	36,802	-	**81,575**
Segment Liabilities	17,194	940	15,780	-	**33,914**
Other notes					
Operating profit before amortisation and depreciation/ total revenue	10.2%	19.5%	11.3%	-	**11.4%**
Average number of employees (FTE)	734	142	90	-	**966**

The segment assets and liabilities resulting from the investments in joint ventures and associates (see note 10 and 11) are recorded in the segment Other.

Disaggregated revenue (continued)

The following table shows revenue disaggregated per theme.
The table includes a reconciliation of the disaggregated revenue with ICT Group's segments.

(x € 1,000)	Reportable segments		Segment other		All segments	
Revenue	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
Smarter industries	73,413	66,049	5,203	5,005	78,616	71,054
Smarter cities	31,346	16,434	3,915	-	35,261	16,434
Smarter health	3,353	4,852	4,808	6,339	8,161	11,191
Other	2,454	1,758	5,362	4,552	7,816	6,310
	110,566	**89,093**	**19,288**	**15,896**	**129,854**	**104,989**

22. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses can be specified as follows:

(x € 1,000)	**2018**	2017
Salaries	63,842	52,452
Social security charges	9,707	7,602
Pension expenses	2,720	2,288
Share-based compensation	398	174
	76,667	**62,516**

The employees hired up to 1 January 2008 participate in a defined contribution plan on the basis of average pay scheme contribution (a 'DC plan'), which is managed by an insurance company. For this plan, the Company has no other obligations than to pay a contribution, which is based on an average pay scheme system. The employees hired since 1 January 2008 participate in a defined contribution plan on the basis of available pension contribution (a 'DC plan'), which is managed by an insurance company. For this plan the Company has no other obligations than to pay a contribution, which is based on an agreed-upon scale.

The post-employment benefits expenses recognised in the consolidated statement of comprehensive income can be specified as follows:

(x € 1,000)	**2018**	2017
Total pension contributions	3,949	3,299
Employee contributions	(1,229)	(1,011)
Employer pension contributions	**2,720**	**2,288**

The average number of staff employed by ICT Group N.V. and its group companies in 2018, expressed in full time equivalents was 1,134 (2017: 966). Of these employees, 170 were employed outside the Netherlands (2017: 142).

23. REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

The total remuneration for members of the Supervisory Board and the Executive Board in 2018 is as follows:

(x € 1,000)	Fixed management fee	Short-term incentive	Long-term incentive*)	Total
Members of the Supervisory Board				
Th. J. van der Raadt (chairman)	47,563	-	-	47,563
F.J. Fröschl	30,000	-	-	30,000
D. Luthra	36,000	-	-	36,000
J.A. Sinoo**)	14,083	-	-	14,083
G.A. van der Werf***)	23,333	-	-	23,333
	150,979	-	-	150,979
Members of the Executive Board				
J. H. Blejie	400,000	175,000	130,256	705,256
W.J. Wienbelt	262,500	120,000	79,094	461,594
	662,500	295,000	209,350	1,166,850
Total	**813,479**	**295,000**	**209,350**	**1,317,829**

*) The estimated amounts have been accrued but will only be payable after the three-year lock-up period. Final amounts payable will depend on the increase in earnings per share during the three-year lock-up period.
**) J.A. Sinoo: until 9 May 2018.
***) G.A. van der Werf: since 9 May 2018.

The performance targets for the members of the Executive Board are set annually by the Supervisory Board in the balanced scorecards and are based on qualitative and quantitative criteria. The total remuneration received by the members of the Executive Board consists of the following components:

1. fixed remuneration consisting of
   a. a fixed management fee; and
   b. a fixed amount for the reimbursement of costs for insurances for healthcare and occupational disability as well as the costs for accruing a pension;
2. variable remuneration
   a. related to short-term results (short-term incentive) in the form of a cash bonus for achieving the annual performance criteria; and
   b. related to long-term results (long-term incentive) in the form of a cash bonus depending on the increase in earnings per share and the amount of the own investment in ICT shares of the member of the Executive Board.

The costs related to the long term incentive plan amounted to € 209,350 in 2018 (2017: € 11,271). The related liability has been recognised under 'share-based compensation and long-term incentive plan liabilities' in the consolidated balance sheet.

The total remuneration for members of the Supervisory Board and the Executive Board in 2017 was as follows:

(x € 1,000)	Fixed management fee	Short-term incentive	Long-term incentive*)	Total
Members of the Supervisory Board				
Th. J. van der Raadt (chairman)	45,000	-	-	45,000
F.J. Fröschl	30,000	-	-	30,000
D. Luthra	36,000	-	-	36,000
J.A. Sinoo	39,000	-	-	39,000
	150,000	-	-	150,000
Members of the Executive Board				
J. H. Blejie	363,333	155,877	6,303	525,513
W.J. Wienbelt	240,000	105,594	4,968	350,562
	603,333	261,471	11,271	876,075
Total	**753,333**	**261,471**	**11,271**	**1,026,075**

*) The estimated amounts have been accrued but will only be payable after the three-year lock-up period. Final amounts payable will depend on the increase in earnings per share during the three-year lock-up period.

The shares held by members of the Executive Board at year-end can be specified as follows:

	Number held at 31 December 2018	Number held at 31 December 2018
Members of the Executive Board		
J. Blejie	42,746	36,715
W.J. Wienbelt	25,857	17,056

The members of the Supervisory Board do not hold shares in ICT Group N.V.

Executive Board

The members of the Executive Board did not hold share options in 2018 and 2017.

Supervisory Board

The members of the Supervisory Board did not hold share options in 2018 and 2017.

There were no loans to the Executive Board or Supervisory Board members.

24. OTHER OPERATING EXPENSES

The other operating expenses item can be specified as follows:

(x € 1,000)	**2018**	2017
Car costs	7,348	6,599
Accommodation expenses	2,862	2,259
Contract termination fees at InTraffic	750	-
Other expenses	13,073	10,023
	24,033	**18,881**

Other expenses in 2018 include € 315 thousand related to the research of potential strategic combinations and to the acquisition of NedMobiel and InTraffic (2017: € 193 thousand related to the research of potential strategic combinations and to the acquisition of HTS).

25. FINANCIAL INCOME AND EXPENSES

The financial expenses comprise bank costs and interest on loans. The 2018 financial expenses also include an amount of € 130 thousand for interest on the deferred acquisition consideration relating to BMA (2017: € 129 thousand) and € 7 thousand to NedMobiel (2017: nil). The financial income comprised received bank interest, interest from the (convertible) loans to associates and the release of the deferred acquisition liability related to BMA of € 0.2 million. The deferred acquisition liability related to BMA is released based on the actual average EBITDA related to the period 2016 to 2018.

26. ONE-OFF ACCOUNTING GAINS

The one-off accounting gains can be specified as follows:

(x € 1,000)	**2018**	2017
Revaluation former 50% stake in InTraffic (note 3)	3,518	-
Profit on dilution of GreenFlux (note 11)	565	-
	4,083	**-**

27. INCOME TAX EXPENSES

(x € 1,000)	**2018**	2017
Current tax	2,955	720
Deferred tax	(856)	1,195
Total tax expense (credit)	**2,099**	**1,915**

The reconciliation from the nominal Dutch statutory tax rate to the effective tax rate is explained in the table below:

(x € 1,000)		**2018**		2017
Result before taxation	11,597		7,527	
Income tax based on prevailing rate, in the Netherlands 25.0% (2016: 25.0%)	2,899	25.0%	1,882	25.0%
Permanent Differences:				
Effect of tax rates in foreign regimes	(306)	-2.6%	(297)	-3.9%
Effect of non-deductible expenses	303	2.6%	119	1.6%
Effect of result from joint ventures and associates	96	0.8%	170	2.3%
Effect of non-taxable income	(1,081)	-9.3%	(36)	-0.5%
Unrecognised carry-forward tax losses	188	1.6%	77	1.0%
Income tax expense / Average effective tax rate	**2,099**	**18.1%**	**1,915**	**25.4%**

The effect of taxes in foreign regimes reflect the impact of different nominal tax rates in the fiscal jurisdictions in which ICT operates. In 2018 and in 2017 the nominal corporate tax rate in Bulgaria amounted to 10%, in France to 33%, in Belgium to 34% and in Germany to 30%.

Non-taxable income and non-deductible expenses represent adjustments for income and expenses not subject to taxation. In 2018 non-taxable income pertain to the one-off accounting gains related to the revaluation to fair value of the 50% stake in InTraffic and the profit on dilution of Greenflux.

In 2018 income tax expense includes an amount of € 766 thousand with respect to the 2018 amortisation on the intangible assets relating to the acquisition of Strypes Bulgaria, Raster, BMA, Nozhup, HTS, NedMobiel and InTraffic. In 2017 income tax expense (profit) includes an amount of € 554 thousand with respect to the 2017 amortisation on the intangible assets relating to the acquisition of Strypes Bulgaria, Raster, BMA, Nozhup and HTS.

Taxes are calculated on the profit or loss before taxation based on the tax rates in force, taking into account available tax relief.

ICT Group N.V., together with its group companies in the Netherlands, but excluding Buro Medische Automatisering B.V., BMA Telenatal B.V. and InTraffic B.V., forms one single fiscal unity. Tax is calculated and recharged within the tax Group as if the group companies were paying tax on a separate return basis.

28. EARNINGS PER SHARE

The following table reflects the income and share data used in the earnings per share computations:

	2018	2017
Weighted average number of outstanding ordinary shares	9,440,334	9,360,010
Earnings per share:		
Net profit attributable to shareholders in €	9,391,000	5,226,000
Basic earnings per share in €	0.99	0.56

As per 31 December 2018 and 31 December 2017 there are no dilution effects.

29. INDEPENDENT AUDITOR'S FEES

	2018			2017			
(x € 1,000)	**Pricewater-house Coopers**	**Pricewater-house Coopers Network**	**Total**	Pricewater-house Coopers	Pricewater-house Coopers Network	Deloitte Accountants B.V.	Total
Audit of the financial statements	272	18	290	262	18	48	328
Other audit services	-	-	-	-	-	-	-
Tax advisory services	-	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-	-
Total	**272**	**18**	**290**	**262**	**18**	**48**	**328**

2018: The fees listed above relate to the procedures applied to the Company and its consolidated group entities by its independent auditor PricewaterhouseCoopers Accountants N.V. and out of pocket expenses as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch abbreviation: Wta).

2017: The fees listed above relate to the procedures applied to the Company and its consolidated group entities by its independent auditor PricewaterhouseCoopers Accountants N.V. and out of pocket expenses and a transition fee and the subsequent fees for the 2016 audit charged by Deloitte (Deloitte Accountants B.V. and the Deloitte Network), all as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch abbreviation: Wta).

30. RELATED PARTIES

Transactions with key management personnel

Key management includes the members of the Supervisory Board and members of the Executive Board of ICT Group N.V. and the statutory director of ICT Automatisering Nederland B.V. The compensation paid or payable to key management is shown below:

Key management

(x € 1,000)	**2018**	2017
Salaries, fees and other short-term employee benefits	1,022	956
Bonus	375	322
Post-employment benefits	8	8
Share-based compensation	242	10
Total	**1,647**	**1,296**

Other related party transactions

In the ordinary course of business, ICT buys and sells products and services from and to various related parties in which ICT has significant influence. The transactions are primarily related to the outsourcing of personnel and are conducted under terms and conditions that are equivalent to those that apply to arm's length transactions.

The following related parties are not included in the consolidation, being independent foundations.

- Stichting Administratiekantoor Participatieplan ICT *);
- Stichting Administratiekantoor ICT **);
- Stichting Continuïteit ICT.

*) The Stichting Administratiekantoor Participatieplan ICT holds the shares related to the equity participation plan for ICT employees and issues share certificates to the employees (see note 17).

**) The foundation is dormant since the last option rights were exercised in 2015.

The transactions between entities of the ICT Group on a 100% basis with InTraffic B.V. (until 31 March 2018), LogicNets Inc, Strypes Nederland B.V. (until 24 November 2017) and Greenflux Assets B.V. during the year can be specified as follows:

(x € 1,000)	**2018**	2017
Sales to joint ventures	500	1,779
Purchases from joint ventures	-	-
Receivables from joint ventures	-	245
Loans (net) to joint ventures	-	-
Payables to joint ventures	-	-

(x € 1,000)	2018	2017
Sales to associates	3,078	1,385
Purchases from associates	131	708
Receivables from associates	1,201	1,016
Loans (net) to associates *)	-	635
Payables to associates	156	252

*) The loans (net) to related parties represent the loans to Greenflux and CIS (we refer to note 11 and 13).

The transactions and related balances are primarily related to the outsourcing of personnel. The transactions take place at arm's length.

31. COMMITMENTS AND CONTINGENCIES NOT DISCLOSED IN THE BALANCE SHEET

Credit facility

The bank facilities in 2018 are unchanged compared to 2017. In 2017 ICT extended its credit facilities to € 23.5 million in total. The working capital credit facility (facility A) is € 10 million and the acquisition credit facility (facility B) € 11 million. The guarantee facility was extended to € 2.5 million in 2017.

At year-end 2018 ICT had called on the acquisition facility (facility B) for the amount of € 8.5 million and had not used the working capital credit facility (facility A).

The covenant requirements include a Senior Net Debt to EBITDA ratio (max. 2), an asset cover test, a revenue cover test and a clean down period of three consecutive business days per year. In 2018 and per 31 December 2018, the Company complied with all quarterly and annual bank covenant requirements.

Guarantees

At the balance sheet date, outstanding guarantees amounted to € 1.3 million (2017: € 1.6 million). These guarantees were provided in connection with current rental and client commitments.

Rental, lease and other commitments

The table below shows the liabilities related to the rental commitments for offices. The rental commitments are long-term in nature with a maximum term of 10 years. ICT has options to extend the majority of the rental contracts after the contract periods. The extension periods varies from 3 to 5 years depending on the rental contracts.

Rental (x € 1,000)	2018	2017
No later than 1 year	2,206	1,648
Later than 1 year and no later than 5 years	5,779	5,069
Later than 5 years	1,602	1,310
Total	**9,587**	**8,027**

The table below shows the liabilities relating to operating leases for cars provided to employees, each lease having a term of up to four years.

Car lease (x € 1,000)	**2018**	2017
No later than 1 year	4,008	3,869
Later than 1 year and no later than 5 years	4,012	4,290
Later than 5 years	-	-
Total	**8,020**	**8,159**

Other commitments (x € 1,000)	**2018**	2017
No later than 1 year	24	20
Later than 1 year and no later than 5 years	56	76
Later than 5 years	-	-
Total	**80**	**96**

Legal procedures
The Company is involved in some legal proceedings in connection with the group's business activities. In the opinion of the Executive Board, these will have no material impact on the financial position of the Company because the assessment is that it is not probable that the proceedings will result in a significant cash outflow.

Fiscal unity
The following entities are part of the fiscal unity of ICT Group N.V. for corporate tax purposes as at 31 December 2018:

- ICT Automatisering Nederland B.V. (including the legally merged entity High Tech Solutions B.V. since 1 January 2018);
- Raster Beheer B.V., Raster Industriële Automatisering B.V. and Raster Products B.V.;
- Improve Quality Services B.V.;
- ICT Nearshoring B.V.;
- NedMobiel B.V. (since 1 January 2018);
- OrangeNXT B.V. (since 30 September 2018).

Under the Dutch Collection of State Taxes Act, each member of the fiscal unity is jointly and severally liable for any corporate taxes payable by the fiscal unit.

32. SUBSEQUENT EVENTS

In January 2019 ICT prolonged and extended its financing arrangements. The acquisition facility was extended from € 11 to € 25 million. The working capital arrangement increased from € 10 to € 12.5 million. The covenant requirements related to Senior Net Debt to EBITDA ratio increased from 2.0 to 2.5. The other covenants, as mentioned under note 31, did not change.

In January 2019 ICT acquired full ownership of Additude AB, one of southern Sweden's leading IT consultancy firms. With over 160 employees, Additude realises an annual turnover of around € 16 million. The Company provides software and engineering consultancy services supporting customers in their innovation processes, product development and growth strategy. Additude primarily operates in the IT and engineering markets and serves many of Sweden's largest and technology-intensive companies. This acquisition is a perfect fit with ICT's international expansion strategy, in which the northern European countries are defined as an important spearhead.

COMPANY FINANCIAL STATEMENTS 2018

COMPANY BALANCE SHEET

As at 31 December (before proposed profit appropriation)

(x € 1,000)	Note		2018		2017
Assets					
NON-CURRENT ASSETS					
Goodwill	2	28,587		22,024	
Financial assets	3	49,081		37,626	
Deferred tax assets		116		74	
Other financial assets		26		596	
			77,810		60,320
CURRENT ASSETS					
Trade and other receivables	4	2,176		326	
Corporate income tax receivable		-		606	
Cash and cash equivalents		9		78	
			2,185		1,010
TOTAL ASSETS			**79,995**		**61,330**
Equity and liabilities					
SHAREHOLDERS' EQUITY	5				
Issued share capital		946		941	
Share premium		14,204		14,209	
Currency translation reserve		95		95	
Legal reserve		2,172		2,269	
Treasury shares		(290)		-	
Retained earnings		26,765		24,159	
Net profit		9,391		5,226	
			53,283		46,899
NON-CURRENT LIABILITIES	6				
Share-based compensation and long-term employee benefits liabilities		464		296	
Loans (long-term)		4,962		4,160	
Deferred acquisition consideration (long-term)		-		3,261	
			5,426		7,717
CURRENT LIABILITIES					
Trade payables		658		506	
Payables to group companies		9,778		3,110	
Corporate income tax payable		532		-	
Other taxes and social security premiums		29		14	
Loans (short-term)		3,548		2,460	
Deferred acquisition consideration (short-term)		3,689		-	
Bank overdrafts		2,043		-	
Other current liabilities		1,009		624	
			21,286		6,714
TOTAL EQUITY AND LIABILITIES			**79,995**		**61,330**

COMPANY INCOME STATEMENT

For the year ended 31 December

(x € 1,000)	Note	2018	2017
Revenue	7	**2,283**	**2,206**
Employee benefit expenses	8	2,348	1,581
Other operating expenses	9	2,336	1,662
Total operating expenses		**4,684**	**3,243**
Operating profit		**(2,401)**	**(1,037)**
Financial expenses	10	(561)	(498)
Financial income	10	233	44
Result from subsidiaries	3	7,938	6,856
Result from joint ventures	3	59	113
Result from associates	3	(443)	(498)
One-off accounting gains	11	4,083	-
Result before taxes		**8,908**	**4,980**
Income tax credit	12	483	246
Net profit		**9,391**	**5,226**

NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

1. ACCOUNTING INFORMATION AND POLICIES

1.1 BASIS OF PREPARATION

The Company financial statements of ICT Group N.V. (Trade Register number: 24186237) have been prepared in accordance with Section 9, Book 2 of the Dutch Civil Code. In accordance with sub-article 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In the event that no other policies are mentioned, we refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report.

Financial assets
The financial assets over which ICT Group exercises control are carried at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result according to the accounting policies applied in the Consolidated financial statements. In the Company financial statements the financial assets includes the intangible fixed assets and the deferred tax liabilities related to financial assets over which ICT Group exercises control.

For an appropriate interpretation, the Company financial statements of ICT Group N.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in multiples of € 1,000, unless stated otherwise.

2. GOODWILL

The movement in goodwill is as follows:

(x € 1,000)	**2018**	2017
At 1 January		
Cost	28,104	27,736
Accumulated impairment	(6,080)	(6,080)
Net book value	**22,024**	**21,656**
Movement in cost		
Arising on acquisition	6,563	368
	6,563	**368**
Impairment losses		
Impairment	-	-
	-	**-**
At 31 December		
Cost	34,667	28,104
Accumulated impairment	(6,080)	(6,080)
Net book value	**28,587**	**22,024**

For the purpose of impairment testing, goodwill is allocated to the following cash-generating units (CGUs).

(x € 1,000)	2018	2017
ICT Netherlands	13,582	13,582
Strypes Bulgaria	1,009	1,009
Raster	3,003	3,003
Improve	2,189	2,189
BMA	2,241	2,241
Nedmobiel	1,751	-
InTraffic	4,400	-
CIS Solutions	348	-
ICT Motar	64	-
Total	**28,587**	**22,024**

For further information related to goodwill, we refer to the consolidated financial statements (note 8).

3. FINANCIAL ASSETS

Movement in the net asset value of the financial assets is as follows:

(x € 1,000)	2018	2017
Movement in financial assets		
Balance as at 1 January	**37,626**	**32,179**
Share in result from subsidiaries, joint ventures and associates	7,554	6,875
Impairment of associates	-	(404)
Dividend received	(3,589)	(1,940)
Additions	7,490	896
Exchange rate differences	-	20
Balance as at 31 December	**49,081**	**37,626**

4. TRADE AND OTHER RECEIVABLES

The composition of the trade and other receivables is as follows:

(x € 1,000)	**2018**	2017
Receivables from group companies	1,871	127
Other receivables	12	127
Prepayments and accrued income	293	72
Balance as at 31 December	**2,176**	**326**

The prepayments and accrued income mainly relate to prepayments made to suppliers. All items fall due within one year. The fair value of the trade and other receivables approximates their book value.

5. SHAREHOLDERS' EQUITY

See the consolidated statement of changes in equity and note 16 of the consolidated financial statements for the shareholders' equity disclosure.

Stichting Continuïteit ICT (ICT Continuity Foundation) and preference shares

As a means to protect the Company and its stakeholders against an unsolicited attempt to obtain (de facto) control of the Company, the Company's Articles of Association authorise the Executive Board and the Supervisory Board to issue (rights to) preference shares to Stichting Continuïteit ICT under an option agreement entered into between the Company and the Stichting. The objective of the Stichting is to safeguard the interests of the Company, its business and all its stakeholders. Based on the option agreement, the Stichting may subscribe for a number of preference shares equal to the number of the outstanding ordinary shares in the Company less one. The issuance of preference shares is an anti-takeover measure. When taken, this protective measure is temporary in nature and would enable ICT to judge any (hostile) situation on its merits and/or to explore alternatives. The Stichting has an independent board. As at 31 December 2018, the board consisted of the following members: Mr. H.J.A. Knijff (chairman), Mr. R. ter Haar, Mr. P.F. Plaizier and Mr. J.C.M. Schönfeld.

Proposed profit appropriation

ICT proposes a dividend of € 0.38 per share for the 2018 financial year (2017: € 0.35). The dividend payment is subject to the approval of the Annual General Meeting of Shareholders (AGM) to be held on 15 May 2019. For the calculation of the proposed dividend, the realised net profit is adjusted for the non-cash amortisation amounts and the non-cash one-off accounting gains. This results in an adjusted net profit for the full year 2018 of € 9.1 million. The proposed dividend represents a pay-out ratio of 40% of the adjusted net profit. ICT offers an option for payment in cash or in shares. From the remaining net profit the one-off accounting gains will be added to the legal reserve as these are non-distributable profits under Dutch law.

ICT will determine the dividend payment in shares one day after the end of the optional period on the basis of the average price of ICT shares during the last five trading days of the optional period, which shall end on 3 June 2019. The dividend will be payable, in cash or in shares, on 5 June 2019.

6. NON-CURRENT LIABILITIES

For share-based compensation liabilities and loans see note 17 and 18 of the consolidated financial statements. For the deferred acquisition consideration see note 20 of the consolidated financial statements.

7. REVENUE

Revenue relates to management fees and other expenses recharged to group companies.

8. EMPLOYEE BENEFIT EXPENSES

(x € 1,000)	**2018**	2017
Supervisory Board	151	150
Executive Board	958	865
Share-based compensation key management personnel	242	10
Other staff costs:		
Salaries	766	353
Social security contributions	50	25
Pension contributions	25	14
Costs of employee equity participation	156	164
	2,348	**1,581**

FTEs	**2018**	2017
Average number of staff	7	5

None of the employees were employed outside the Netherlands.

9. OTHER OPERATING EXPENSES

The other operating expenses can be specified as follows:

(x € 1,000)	**2018**	2017
Car and travel costs	10	32
Other costs	2,326	1,630
	2,336	**1,662**

Other expenses in 2018 include € 315 thousand related to the research of potential strategic combinations and to the acquisition of NedMobiel, InTraffic and a part of the costs related to the acquisition of Additude (2017: € 193 thousand related to the research of potential strategic combinations and to the acquisition of HTS).

10. FINANCIAL INCOME AND EXPENSES

The financial expenses comprise bank costs and interest on loans. The financial income comprises received bank interest, interest from the (convertible) loans to associates and the release of the deferred acquisition liability related to BMA of € 0.2 million. The deferred acquisition liability related to BMA is released based on the actual average EBITDA related to the period 2016 to 2018. The 2018 financial expenses also include an amount of € 130 thousand for interest on the deferred acquisition consideration relating to BMA (2017: € 129 thousand) and € 7 thousand to NedMobiel (2017: nil).

11. ONE-OFF ACCOUNTING GAINS

For the one-off accounting gains, please see note 26 of the consolidated financial statements.

12. INCOME TAX EXPENSES

(x € 1,000)	**2018**	2017
Current tax	(441)	(2,181)
Deferred tax	(42)	1,935
Total tax credit	**(483)**	**(246)**

(x € 1,000)		**2018**		2017
Result before taxation	8,908		4,980	
Income tax based on prevailing rate, in the Netherlands 25.0% (2017: 25.0%)	2,227	25.0%	1,245	25.0%
Permanent differences				
Effect of non-deductible expenses	260	2.9%	137	2.8%
Effect of result from subsidiaries, joint ventures and associates	(1,889)	-21.2%	(1,618)	-32.5%
Effect of non-taxable income	(1,081)	-12.1%	(10)	-0.2%
Income tax credit / Average effective tax rate	**(483)**	**-5.4%**	**(246)**	**-4.9%**

Non-taxable income and non-deductible expenses represent adjustments for income and expenses not subject to taxation. In 2018 non-taxable income pertain to the one-off accounting gains related to the revaluation to fair value of the 50% stake in InTraffic and the profit on dilution of GreenFlux.

Taxes are calculated on the profit or loss before taxation based on the tax rates in force, taking into account available tax relief.

ICT Group N.V., together with its group companies in the Netherlands, but excluding Buro Medische Automatisering B.V., BMA Telenatal B.V. and InTraffic B.V., forms one single fiscal unity. Tax is calculated and recharged within the tax Group as if the group companies were paying tax on a separate return basis.

13. INDEPENDENT AUDITOR'S FEES

For the independent auditor's fees, see note 29 of the consolidated financial statements.

14. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

For the remuneration of the Executive Board and the Supervisory Board, see note 23 of the consolidated financial statements.

15. COMMITMENTS AND CONTINGENCIES NOT INCLUDED ON THE BALANCE SHEET

With the exception of the guarantees and lease commitments, see note 31 in the consolidated financial statements.

Guarantees

At the balance sheet date the guarantees outstanding for ICT Group N.V. amounted to € 540 thousand (2017: € 1,019 thousand). These guarantees were provided in connection with current rental and client commitments.

Under the Company's credit facility, ICT Group N.V., ICT Automatisering Nederland B.V., Improve Quality Services B.V., ICT Nearshoring B.V., Raster Beheer B.V., Raster Industriële Automatisering B.V., Raster Products B.V., Buro Medische Automatisering B.V., InTraffic B.V. and NedMobiel B.V. have pledged their current and future receivables from trading activities as collateral.

Rental and lease commitments

The table below shows the liabilities related to the rental commitments for offices. The rental commitments are long-term in nature with a maximum term of 10 years. ICT has options to extend the majority of the rental contracts after the contract periods. The extension periods varies from 3 to 5 years depending on the rental contracts.

Rental (x € 1,000)	**2018**	2017
No later than 1 year	475	518
Later than 1 year and no later than 5 years	1,054	1,618
Later than 5 years	-	34
Total	**1,529**	**2,170**

The table below shows the liabilities relating to operating leases for cars provided to employees, each lease having a term of up to four years.

Car lease (x € 1,000)	**2018**	2017
No later than 1 year	34	58
Later than 1 year and no later than 5 years	7	40
Later than 5 years	-	-
Total	**41**	**98**

Fiscal unity for corporate tax

The following entities are part of the fiscal unity of ICT Group N.V. for corporate tax purposes as at 31 December 2018:

- ICT Automatisering Nederland B.V. (including the legally merged entity High Tech Solutions B.V. since 1 January 2018);
- Raster Beheer B.V., Raster Industriële Automatisering B.V. and Raster Products B.V.;
- Improve Quality Services B.V.;
- ICT Nearshoring B.V.;
- NedMobiel B.V. (since 1 January 2018);
- OrangeNXT B.V. (since 30 September 2018).

Under the Dutch Collection of State Taxes Act, each member of the fiscal unity is jointly and severally liable for any corporate taxes payable by the fiscal unit.

Article 403 Statement Book 2 of the Dutch Civil Code

ICT Group N.V. is jointly and severally liable for legal acts on behalf of ICT Automatisering Nederland B.V. since 1 January 2012, such by virtue of the filing of a 2:403 statement at the Chamber of Commerce.

16. SUBSEQUENT EVENTS

In January 2019 ICT prolonged and extended its financing arrangements. The acquisition facility was extended from € 11 to € 25 million. The working capital arrangement increased from € 10 m to € 12.5 m. The covenant requirements related to Senior Net Debt to EBITDA ratio increased from 2.0 to 2.5. The other covenants, as mentioned under note 31, did not change.

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Barendrecht, 28 February 2019

Executive Board
J.H. Blejie
W.J. Wienbelt

Supervisory Board
Th. J. van der Raadt (Chairman)
D. Luthra (Vice Chairman)
F.J. Fröschl
G.A. van der Werf

OTHER INFORMATION

PROVISIONS IN THE ARTICLES OF ASSOCIATION RELATED TO THE APPROPRIATION OF PROFIT

The salient points of Article 37 of the Articles of Association related to the appropriation of profit are as follows:

Pursuant to law, ICT Group N.V. may only distribute dividends to the extent that its shareholders' equity exceeds the amount of paid-up and called-up share capital plus the reserves required to be maintained by law and the Articles of Association. If preference shares have been issued, the dividend shall first be distributed on the preference shares from profit available for distribution. The preference dividend shall be a percentage of the amount paid up on the preference shares concerned, equal to the average monthly EURIBOR rate, weighted by the number of days it was in force, during the financial year to which the dividend relates, plus two percent. If in a given year the preference dividend is not paid in full or in part, no dividends shall be distributed in subsequent years until the shortfall has been recovered. Following the distribution of the preference dividend, the Executive Board shall, subject to the approval of the Supervisory Board, add as much as it deems necessary to reserves, up to a maximum of 60% of the profit for the year, subject to the approval of the General Meeting. Any profit not added to reserves is at the free disposal of the General Meeting to be reserved in part or in full, or payable in part or in full to holders of ordinary shares in proportion to the number of ordinary shares held. The General Meeting may, on the proposal of the Executive Board and subject to the approval of the Supervisory Board, resolve that the dividend on ordinary shares will be paid in full or in part in the form of ordinary shares. The Executive Board can declare interim dividends, subject to the approval of the Supervisory Board.

STICHTING CONTINUÏTEIT ICT

As per 31 December 2018 the board of directors of Stichting Continuïteit ICT consists of Mr. H.J.A. Knijff (chairman), Mr. J.C.M. Schönfeld, Mr. P.F. Plaizier and Mr. R. ter Haar.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and supervisory board of ICT Group N.V.

REPORT ON THE FINANCIAL STATEMENTS 2018

Our opinion

In our opinion:

- ICT Group N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- ICT Group N.V.'s Company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of ICT Group N.V., Barendrecht ('the Company'). The financial statements include the consolidated financial statements of ICT Group N.V. together with its subsidiaries (together: 'the Group') and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2018;
- the following statements for 2018: the consolidated statements of total comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2018;
- the Company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of ICT Group N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

ICT Group N.V. is an industrial technology solutions and service provider. ICT Group N.V. has a strategy of organic growth and growth through acquisitions. The stakeholders focus on return on investment, which is driven by both revenue and results. As a result of the strategy and the Company's business activities, the results fluctuate. Revenue is therefore considered as the primary focus of the stakeholders. This affected our determination of materiality as explained in the materiality section of this report.

The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

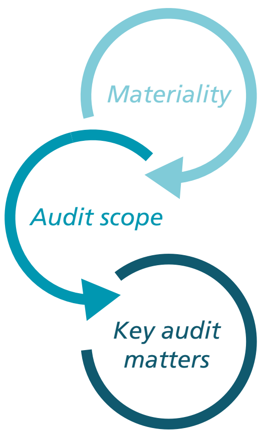
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 5 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

ICT Group N.V. operates through projects for its clients with a fixed price and/or 'time and material' arrangements. For fixed price projects the Company used the 'over time' revenue recognition which requires the Company to estimate the cost to complete and the stage of completion at every reporting date as these indicates the progress of the performance obligations. Given the level of judgement and the significance of the fixed price projects, we consider this to be a key audit matter as set out in the 'Key audit matters' section of this report.

As a result of the Company's strategy, significant amounts of goodwill and other intangible assets are carried on the balance sheet in connection with acquired businesses. We identified the impairment assessment of goodwill and other intangible assets as key audit matter because of the significance of the balances involved and the fact that impairment assessment and calculations are subject to critical management judgement.

Other areas of focus, that were not considered to be key audit matters, were the valuation of the accounts receivable balances, the accounting treatment and purchase price allocation of the acquisitions of InTraffic B.V. and NedMobiel B.V., the upcoming implementation of IFRS 16 and the related disclosures. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences, which are needed for the audit of an IT services provider. We therefore included specialists and experts in our team.
The outline of our audit approach was as follows:



Materiality
- Overall materiality: €1,298,000.

Audit scope
- We conducted full scope audits in the Netherlands (ICT Group N.V., ICT Automatisering Nederland B.V. and InTraffic B.V.) and Bulgaria (Strypes EOOD).
- Audit coverage: 84% of consolidated revenue, 86% of consolidated total assets and 81% of consolidated profit before tax.

Key audit matters
- Valuation of the revenue to be invoiced (including contract assets)
- Impairment assessment of goodwill and other intangible assets.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€1,298,000 (2017: € 1,050,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of net revenues from continuing operations.
Rationale for benchmark applied	We determine materiality based on our analysis of the common information needs of users of the financial statements. As ICT Group N.V. is a listed entity, users of the financial statements will have a prominent focus on profit before tax. However, profit before tax is not considered an appropriate benchmark because this will result in large fluctuations in overall group materiality year over year which we did not consider to be representative for the level of activities of the Group. Therefore, we used net revenues from continuing operations as the primary benchmark, as revenue (growth) is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €300,000 and €1,250,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €60,000 (2017: €50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

ICT Group N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of ICT Group N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant component ICT Automatisering Nederland B.V., Barendrecht, the Netherlands.

This component is subjected to an audit of its complete financial information, as the component is individually significant to the Group. In order to obtain sufficient audit coverage on the relevant financial statement line items, we have performed audits of the complete financial information of the non-significant components: Strypes EOOD and InTraffic B.V. In total, in performing these procedures, we achieved the following coverage on the financial statement line items:

- Revenue 84%
- Total assets 86%
- Profit before tax 81%

None of the remaining components represented more than 3% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For component Strypes EOOD and InTraffic B.V., we used component auditors who are familiar with the local laws and regulations to perform the audit work. The group engagement team performed the audit work on ICT Automatisering Nederland B.V. and all other components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach.

The group engagement team visited InTraffic B.V. during planning in which we met with local management and discussed the audit approach with the component auditor. In February 2019, we attended the clearance meeting and conducted a file review on the component auditor's audit file for group reporting purposes.

For the component Strypes EOOD, the group engagement team was involved in the planning of the audit and discussed in detail the outcome of the audit procedures with the component auditor. In previous year, we performed site visits and conducted an in depth file review for group reporting purposes.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team at the head office. These complex items included the impairment assessment of goodwill and other intangible assets and share based payments.

By performing the procedures above at the components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters, consistent with prior year, in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. The key audit matters relate closely to the nature of the business and the strategy of the Company and are therefore consistent with the key audit matters in our prior year's report. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Valuation of the revenue to be invoiced (including contract assets)	
Note 14 The revenue to be invoiced, consisting of the revenue to be invoiced for time and material projects and the contract assets related to fixed price projects, amount to €11.7 million and represent 12% of the consolidated balance sheet total at 31 December 2018. The use of the 'over time' revenue recognition and profit recognition on fixed price projects, requires the Company to apply a single method of measuring progress toward complete satisfaction of the performance obligation (an input method). The input for the performance obligation is based on the actual time spent and costs incurred. Progress is measured based on the sum of the hours and cost incurred compared to the total estimated costs for the project. When it is probable that total costs will exceed total project revenue, the expected loss is recognized immediately. Measurement of revenue recognized of fixed price projects is significant to the financial statements based on the quantitative materiality and the degree of management judgement required for revenue recognition and determining the revenue to be invoiced. The complexity and judgements mainly related to estimation of the cost to complete of the projects (input method), expected revenues and the related progress of the performance obligation, which the Company applies for recognizing revenues as well as assessing provisions for projects and loss making contracts. Given the significant judgement involved there is an inherently increased risk of misstatement of revenues and project result on these projects. Therefore, we considered this a key audit matter for our audit. The executive board has also considered this area to be a key accounting estimate as disclosed in the 'critical accounting estimates and judgements' note (note 5) to the consolidated financial statements.	We evaluated the process and internal controls (including the IT-systems, which support the accounting) within ICT Group N.V. relating to the measurement of the revenue to be invoiced based on the project revenue recognition. We tested the operating effectiveness of the internal controls such as the monthly detailed review of changes on the projects, analysis of available contract hours and recorded hours on projects (job time versus shop time), approval of recorded hours by the (project) manager, and the assessment of missing or unprocessed hours. These controls provide audit evidence relating to the base on which the measurement of the satisfaction of the performance obligation was determined and the estimated cost to complete was estimated. The internal controls over the assessment of the progress toward complete satisfaction of the performance obligation and the estimated cost to complete improved compared to prior year, however not sufficient for the full year. We were therefore not able to place reliance on these internal control procedures with respect to the measurement of the fixed price projects. As a result, we performed additional substantive procedures in this area. To determine the quality of the estimates made by the executive board, we performed so-called look-back procedures, in which we assessed the outcome of prior years' estimates in current financial year. These procedures showed us that the outcome of the projects versus the executive board's estimates fell within an acceptable range. We used this in determining the rigour and depth of this year's audit. With respect to the valuation of the revenue to be invoiced and the measurement of fixed price projects, we tested the estimated cost to complete for all projects with a contract revenue greater than €937,500. These larger projects are, in our experience with those projects within the Company, more unique and complex and therefore considered as the projects with the most significant estimates. We also tested projects with revenue to be invoiced or a contract asset (or liability) related to fixed price projects exceeding €937,500 as at 31 December 2018. We challenged the assumptions and estimates applied by the executive board, and obtained supporting evidence, such as project budgets and detailed planning and discussed this with the responsible project managers. Furthermore, for a sample of projects, we verified the recorded revenue including overruns and scope changes with the supporting documentation (i.e. contracts). We found that the recorded revenue for the projects selected was adequately supported by available evidence. With respect to onerous contracts, we compared total estimated revenue with total estimated costs for all projects and considered the results of the back testing and other testing performed to assess the completeness of the list of loss making contracts and/or projects. We found no material exceptions with respect to estimates relating to loss making contracts as the Company did not have any significant onerous contracts. We also tested the accuracy and completeness of costs incurred and verified whether the allocation of costs is accurate.

Impairment assessment of goodwill and other intangible assets	
Notes 8 and 9 The goodwill and other intangible assets amount to respectively €28.8 million and €16.6 million and represent 47% of the consolidated balance sheet total at 31 December 2018. Goodwill is subject to an annual impairment test, other intangible assets with no indefinite useful life only when triggers are identified. The executive board has not identified events that would trigger an impairment test, hence no impairment assessment has been conducted regarding other intangible assets. Impairments are recognised when the carrying value is higher than the recoverable amount. The recoverable amounts of the cash-generating units (CGUs) have been determined based on value-in-use calculations based on expected future cash flows from those CGUs. The impairment assessment for goodwill prepared by the executive board includes a variety of internal and external factors, which represents significant estimates that require the use of valuation models and a significant level of management judgement, particularly with respect to the assumptions related to the discount rate and the growth rates in the Company's discounted cash flow calculations and future cash flow forecasts. Due to the level of judgement combined with the magnitude of these assets, any change in the important assumptions, based on their sensitivity could have a significant effect on the financial statements. That is why we considered this area as a key audit matter for our audit.	We tested the executive board's triggering event analysis through a combination of inquiry, market research and evaluating historical figures and concur with the executive board's views that based on the available information and knowledge no triggers are applicable. We evaluated and challenged the composition of the executive's future cash flow forecasts, and the process by which they were drawn up. In particular, we focused on whether they had identified all the relevant CGUs. We found that the executive board had followed their process for drawing up future cash flow forecasts, which was consistent with the by the supervisory board approved multi-annual plan. We compared the current year actual results with the FY18 figures included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. We, assisted by our valuation experts, challenged the executive board on the adequacy of their sensitivity calculations over all their CGUs. We determined that the calculations were most sensitive to assumptions for revenue growth rates and discount rates. For all CGUs we also challenged the executive board's assumptions in forecasts for: - long-term growth rates, by comparing them to economic and industry forecasts; and - the discount rate, by assessing the cost of capital for the Company and comparable organisations, as well as considering territory specific factors. We found the assumptions to be consistent and in line with our expectations. We also assessed the adequacy of the Company's disclosure notes 8 and 9 to the consolidated financial statements summarising those assumptions to which the outcome of the impairment test is most sensitive.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the report of the executive board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- the Company profile, financial highlights 2018, message from Jos Blejie CEO of ICT Group, strategy and value creation, shareholder information, financial calendar 2019 and 2020, members of the executive and supervisory board, corporate governance, report of the supervisory board, interviews and the appendices.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the report of the executive board and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our appointment
We were first appointed as auditors of ICT Group N.V. at the annual meeting held on 10 May 2017. Our appointment has been renewed in the annual meeting held on 9 May 2018 representing a total period of uninterrupted engagement appointment of 2 years.

No prohibited non-audit services
To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered
There are no other services, in addition to the audit, provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 29 to the financial statements.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error.

They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 28 February 2019

PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.C. van Rooij RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2017 OF ICT GROUP N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- Concluding on the appropriateness of executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

APPENDICES

FIVE-YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
Results (× € 1,000)					
Revenue	129,854	104,989	89,729	71,787	63,043
EBITDA	13,474	11,998	10,296	7,142	4,657
Amortisation / depreciation / impairment	4,950	3,559	2,924	1,824	1,502
Operating profit	8,524	8,439	7,372	5,318	3,155
Net profit (loss) [1), 2)]	9,391	5,226	5,006	3,551	4,934
Net cash flow from operating activities	11,112	7,914	5,058	6,122	3,805
Dividend	3,596	3,294	3,065	2,099	2,012
Assets (x € 1.000)					
Non-current assets	51,118	40,877	43,854	30,746	19,332
Current assets	44,524	40,698	35,296	27,482	30,100
Non-current liabilities	9,009	10,702	13,722	5,303	1,114
Current liabilities	32,409	23,212	21,719	17,428	14,345
Shareholders' equity (incl. minority share)	54,224	47,661	43,709	35,497	33,973
Total assets	95,642	81,575	79,150	58,228	49,432
Employees					
FTE as at 31 December	1,227	990	919	764	632
Average number of FTEs	1,134	966	836	711	618
Revenue per employee (* € 1,000)	115	109	107	101	102
EBITDA per employee (* € 1,000)	12	12	12	10	8
Operating profit per employee (* € 1,000)	8	9	9	7	5
Ratios					
EBITDA/revenue	10.4%	11.4%	11.5%	9.9%	7.4%
Operating profit/revenue	6.6%	8.0%	8.2%	7.4%	5.0%
Net profit (loss)/revenue [1), 2)]	7.2%	5.0%	5.6%	4.9%	7.8%
Net profit (loss)/average shareholders' equity [1), 2)]	19.2%	11.4%	12.6%	10.2%	15.3%
Current assets/current liabilities	1.37	1.75	1.63	1.58	2.10
Shareholders' equity/total assets	0.57	0.58	0.55	0.61	0.69
Per share of € 0.10 (nominal)					
Net profit (loss) [1), 2), 3)]	0.99	0.56	0.56	0.41	0.56
Net cash flow from operating activities [3)]	1.18	0.85	0.56	0.70	0.43
Dividend [4), 5)]	0.38	0.35	0.33	0.24	0.23
Shareholders' equity (excl. minority share) [4)]	5.63	4.98	4.66	4.06	3.87
Outstanding ordinary shares at year end	9,463,878	9,411,301	9,288,309	8,747,544	8,747,544
Average outstanding ordinary shares during the year	9,440,334	9,360,010	8,968,516	8,747,544	8,747,544

[1)] Represents the net profit attributable to the shareholders of ICT Group N.V.
[2)] In 2018 the net profit includes one-off accounting gains of € 4.1 million related to the acquisition of the remaining 50% stake in InTraffic (€ 3.5 million) and the revaluation of ICT's stake in GreenFlux (€ 0.6 million); In 2016 the net profit included a one off deferred tax benefit of € 0.8 million and in 2014 € 5.6 million, related to the liquidation of ICT Software Engineering GmbH.
[3)] Based on the average number of issued shares.
[4)] Based on number of issued shares at year end.
[5)] For dividends related to 2018, 2017 and 2016 shareholders were offered the option: cash or shares.

NON-FINANCIAL REPORTING CRITERIA, PROCESS AND METHODS

This Appendix provides specific information on the reporting process and reporting methods ICT used to arrive at the non-financial reporting figures and topics included in this report.

REPORTING CRITERIA – GRI STANDARDS 'COMPREHENSIVE'

This Annual Report has been prepared in accordance with the comprehensive option of the GRI standards. This includes an overview of the GRI Standards covered by this Annual Report.

REPORTING PERIOD AND REPORTING FREQUENCY

The Annual Report presents both quantitative and qualitative data for the calendar year 2018. The quantitative and qualitative data is reported annually, except for the data as reported in the half-year and quarterly reports.

REPORTING BOUNDARIES AND PROCESS

This Annual Report contains data of all ICT companies and are accounted for according ICT's share of equity. The data from acquired and divested companies is taken into account as from the acquisition date or until the divestment date.

Both the qualitative and quantitative data is reported by the companies to the finance team on ICT Group NV level. The data is consolidated on ICT Group NV level. The reporting of non-financial information is part of the financial reporting process. The applied reporting process and definitions are formalised in ICT Group's non-financial reporting manual. The non-financial reporting manual provides guidance on how to measure, calculate and estimate data.

EXTERNAL ASSURANCE IS ONLY APPLIED TO THE FINANCIAL STATEMENTS

In the Annual Report 2018 the external assurance is only applied to the financial statements and not to the non-financial reporting. Our ambition for the Annual Report 2019 is that for a number of non-financial KPI's external assurance will be obtained as a starting point for external assurance covering the full non-financial reporting.

RECORD ESTIMATION METHODS AND CALCULATIONS UNDERLYING NON-FINANCIAL KPI'S

Energy consumption and CO_2 emissions

The CO_2 emissions are calculated based on the CO_2 performance ladder manual 3.0 as established by SKAO. The CO_2 emission categories as recorded in the CO_2 performance ladder manual 3.0 is a derivative from the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard but the grouping in scopes differs.

The scope 1 emissions of ICT Group N.V. includes the CO_2 emissions from lease cars and gas used in our offices. The scope 2 emission of ICT Group N.V. includes CO_2 emissions from electricity, business air travel, geothermal heating and public transport.

To calculate the CO_2 emissions ICT Group N.V. uses the conversion factors as prescribed in the CO_2 performance manual.

The data to calculate the CO_2 emissions is measured four times a year using a standardised report.

HR related KPIs

HR data is obtained four times a year using a standardised report. The HR data is derived from the financial administration and HR systems in which the data on which the KPIs are based are recorded. Some HR KPIs are composed once a year based on surveys (e.g. employee satisfaction).

Other KPIs

Other KPIs are measured at least once a year (e.g. customer satisfaction) or continuously tracked (e.g. accidents) based on the definitions as formalised in ICT Group's non-financial reporting manual.

GRI CONTENT INDEX

GRI Standard Number	GRI content index	Chapter
Organisational profile		
GRI 102-1	Name of the organization	Company Profile
GRI 102-2	Activities, brands, products, and services	Company Profile
GRI 102-3	Location of headquarters	Corporate Governance
GRI 102-4	Location of operations	Company Profile
GRI 102-5	Ownership and legal form	Corporate Governance
GRI 102-6	Markets served	Strategy and value creation
GRI 102-7	Scale of the organization	Company Profile, Report of the Executive Board, Notes to the results and Consolidated financial statements
GRI 102-8	Information on employees and other workers	Report of the Executive Board, Ambitious sustainable employer
GRI 102-9	Supply chain	Strategy and value creation
GRI 102-10	Significant changes to the organization and its supply chain	Strategy and value creation
GRI 102-11	Precautionary principle or approach	ICT's risk management approach is recorded in Report of the Executive Board, Risk management and internal control
GRI 102-12	External initiatives	Report of the Executive Board, Sustainable innovation
GRI 102-13	Membership of associations	Appendix Memberships
Strategy		
GRI 102-14	Statement from senior decision-maker	Foreword CEO, Report of the Executive Board, Supervisory Board
GRI 102-15	Key impacts, risks, and opportunities	Report of the Executive Board, Risk management and internal control
Ethics and integrity		
GRI 102-16	Values, principles, standards, and norms of behavior	Strategy and value creation, Report of the Executive Board, Ambitious sustainable employer
GRI 102-17	Mechanisms for advice and concerns about ethics	Report of the Executive Board, Ambitious sustainable employer, corporate governance
Governance		
GRI 102-18	Governance structure	Corporate governance
GRI 102-19	Delegating authority	Corporate governance, Report of the Executive Board, Supervisory Board report
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Report of the Executive Board, Corporate Social Responsibility governance
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Strategy and value creation
GRI 102-22	Composition of the highest governance body and its committees	Members of the Executive and Supervisory Board
GRI 102-23	Chair of the highest governance body	Corporate governance
GRI 102-24	Nominating and selecting the highest governance body	Supervisory Board report and Corporate governance

GRI Standard Number	GRI content index	Chapter
GRI 102-25	Conflicts of interest	Corporate governance
GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	Supervisory Board report and Corporate governance
GRI 102-27	Collective knowledge of highest governance body	Supervisory Board report
GRI 102-28	Evaluating the highest governance body's performance	Supervisory Board report
GRI 102-29	Identifying and managing economic, environmental, and social impacts	Strategy and value creation
GRI 102-30	Effectiveness of risk management processes	Report of the Executive Board, Risk management and internal control
GRI 102-31	Review of economic, environmental, and social topics	Strategy and value creation, Report of the Executive Board
GRI 102-32	Highest governance body's role in sustainability reporting	Report of the Executive Board, Corporate Social Responsibility governance
GRI 102-33	Communicating critical concerns	Report of the Executive Board, Risk management and internal control
GRI 102-34	Nature and total number of critical concerns	Report of the Executive Board, Risk management and internal control
GRI 102-35	Remuneration policies	Supervisory Board report
GRI 102-36	Process for determining remuneration	Supervisory Board report
GRI 102-37	Stakeholders' involvement in remuneration	Corporate governance
GRI 102-38	Annual total compensation ratio	Supervisory Board report
GRI 102-39	Percentage increase in annual compensation ratio	Supervisory Board report, calculation based on annual total compensation ratio
Stakeholder engagement		
GRI 102-40	List of stakeholder groups	Strategy and value creation
GRI 102-41	Collective bargaining agreements	No employees within ICT Group are covered by Collective Bargaining Agreements
GRI 102-42	Identifying and selecting stakeholders	Strategy and value creation
GRI 102-43	Approach to stakeholder engagement	Strategy and value creation
GRI 102-44	Key topics and concerns raised	Strategy and value creation
Reporting practice		
GRI 102-45	Entities included in the consolidated financial statements	Consolidated financial statements
GRI 102-46	Defining report content and topic Boundaries	Strategy and value creation
GRI 102-47	List of material topics	Strategy and value creation
GRI 102-48	Restatements of information	There have been no restatements of information in 2018
GRI 102-49	Changes in reporting	Consolidated financial statements
GRI 102-50	Reporting period	Consolidated financial statements
GRI 102-51	Date of most recent report	28 February 2019

GRI Standard Number	GRI content index	Chapter
GRI 102-52	Reporting cycle	Report of the Executive Board, Consolidated financial statements
GRI 102-53	Contact point for questions regarding the report	Our locations
GRI 102-54	Claims of reporting in accordance with GRI standards	Appendix - Non-financial reporting criteria, process and methods
GRI 102-55	GRI content index	GRI Content Index
GRI 102-56	External assurance	Appendix - Non-financial reporting criteria, process and methods
Management approach		
GRI 103	Explanation of the material topic and its Boundary	Strategy and value creation
GRI 103	The management approach and its components	Strategy and value creation
GRI 103	Evaluation of the management approach	Strategy and value creation
Economic performance		
GRI 201-1	Direct economic value generated and distributed	Report of the Executive Board, Notes to the results and Consolidated financial statements
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Report of the Executive Board, Risk management and internal control
GRI 201-3	Defined benefit plan obligations and other retirement plans	Consolidated financial statements
GRI 201-4	Financial assistance received from government	No financial assistance was received
Anti-corruption and anti-competitive behavior		
GRI 205-1	Operations assessed for risks related to corruption	Report of the Executive Board, Risk management and internal control
GRI 205-2	Communication and training about anti-corruption policies and procedures	Report of the Executive Board, Maintain high standard of ethics & business integrity
GRI 205-3	Confirmed incidents of corruption and actions taken	Report of the Executive Board, Maintain high standard of ethics & business integrity
GRI 206	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Report of the Executive Board, Maintain high standard of ethics & business integrity
Energy consumption		
GRI 302-1	Energy consumption within the organization	Report of the Executive Board, Reduce our environmental footprint and that of the world

GRI Standard Number	GRI content index	Chapter
GRI 302-4	Reduction of energy consumption	Report of the Executive Board, Reduce our environmental footprint and that of the world
GRI 305-1	Direct (Scope 1) GHG emissions	Report of the Executive Board, Reduce our environmental footprint and that of the world
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Report of the Executive Board, Reduce our environmental footprint and that of the world
GRI 305-5	Reduction of GHG emissions	Report of the Executive Board, Reduce our environmental footprint and that of the world
GRI 307-1	Non-compliance with environmental laws and regulations	Report of the Executive Board, Reduce our environmental footprint and that of the world
People		
GRI 401-1	New employee hires and employee turnover	Report of the Executive Board, Ambitious sustainable employer
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Report of the Executive Board, Ambitious sustainable employer
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Report of the Executive Board, Ambitious sustainable employer
GRI 404-1	Average hours of training per year per employee	Report of the Executive Board, Ambitious sustainable employer
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Report of the Executive Board, Ambitious sustainable employer
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Report of the Executive Board, Ambitious sustainable employer
GRI 405-1	Diversity of governance bodies and employees	Report of the Executive Board, Ambitious sustainable employer
GRI 405-2	Ratio of basic salary and remuneration of women to men	Report of the Executive Board, Ambitious sustainable employer, Corporate Governance
GRI 406-1	Incidents of discrimination and corrective actions taken	Corporate governance
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	Corporate governance
GRI 412-2	Employee training on human rights policies or procedures	Corporate governance

OUR SUBSIDIARIES AND PARTICIPATIONS

The Netherlands

ICT Group N.V.
Kopenhagen 9, 2993 LL, Barendrecht (Head office)

ICT Automatisering Nederland B.V.
Kopenhagen 9, 2993 LL, Barendrecht
Voltastraat 4, 4622 RP, Bergen op Zoom
Munsterstraat 7, 7418 EV, Deventer
Wilhelminakanaal Zuid 110, 4903 RA, Oosterhout
Rozenburglaan 1, 9727 DL, Groningen
Horsterweg 18g, 6199 AC, Maastricht Airport
Professor Dr. Dorgelolaan 30, 5613 AM Eindhoven

ICT Nearshoring B.V.
Kopenhagen 9, 2993 LL, Barendrecht

Improve Quality Services B.V.
Professor Dr. Dorgelolaan 30, 5613 AM, Eindhoven

Raster Beheer B.V., Raster Products B.V. and
Raster Industriële Automatisering B.V.
Oude Maasdijk 30, 6621 AC, Dreumel

OrangeNXT B.V.
Kopenhagen 9, 2993 LL, Barendrecht
John F. Kennedylaan 2, 5612 AB Eindhoven

Buro Medische Automatisering B.V. and
BMA Telenatal B.V.
De Molen 1, 3994 DA, Houten

InTraffic B.V.
Iepenhoeve 11, 3438 MR, Nieuwegein

NedMobiel B.V.
Haagweg 1, 4814 GA, Breda

ICT Motar B.V.
Kopenhagen 9, 2993 LL, Barendrecht

ICT Participations B.V.
Kopenhagen 9, 2993 LL, Barendrecht

Joint ventures and Associates

Greenflux Assets B.V.
Mauritskade 63, 1092 AD, Amsterdam

ICT-Sensoria NL B.V.
Kopenhagen 9, 2993 LL, Barendrecht

Foreign entities

Bulgaria

Strypes EOOD
Maystor Aleksi Rilets, Floor 2 10A, 1618 Sofia

Strypes Nearshoring Ltd.
Racho Dimchev Str. 8, 100 Sofia

Belgium

ICT Belgium BVBA
Antwerpsesteenweg 124, 2630 Aartselaar
Hoogveld 44, 9200, Dendermonde

BMA Belux BVBA
Kloosterdreef 7, 8510, Bellegem

Germany

CIS Solutions GmbH
Fraunhoferstrasse 9, 85737, Ismaning

Raster Industrielle Automatisierung GmbH
Heinz-Bäcker-Str. 34, 45356, Essen

France

BMA France SAS
Rue du Parc de Clagny 7, 78000, Versailles

Joint ventures and Associates

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