smarter solutions

# OUR CHALLENGE: MAKING THE WORLD A LITTLE SMARTER

ANNUAL REPORT 2016

# PROFILE ICT GROUP

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. ICT is able to link people, technology and ideas. With over 950 dedicated professionals in the field, we are capable of translating new and innovative technologies into relevant business solutions, enriched with state-of-the-art technologies, and introduce these solutions into the heart of our customers' operations.

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 mainly active in Europe and the USA from several locations in the Netherlands and Bulgaria (Strypes). Through its participations and subsidiaries, ICT is also active in Traffic & Transport (joint venture with InTraffic), Testing and Training (Improve Quality Services), and Enterprise Mobility (ICT Mobile 51%).

ICT smarter solutions


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SMARTER
HEALTHCARE

# FINANCIAL HIGHLIGHTS 2016

| (x € 1,000,000) | **2016** | 2015 |
|---|---|---|
| **Net revenue** | **89.7** | **71.8** |
| Added value (Net revenue minus cost of materials and subcontractors) | 79.4 | 65.5 |
| EBITDA | 10.3 | 7.1 |
| Amortisation / depreciation / impairment | 2.9 | 1.8 |
| Operating profit | 7.4 | 5.3 |
| Result before taxes from continuing operations | 6.0 | 4.7 |
| Income tax (expense) profit | (1.7) | (1.1) |
| Net profit from continuing operations | 4.3 | 3.6 |
| Discontinued operations | 0.8 | - |
| Non-controlling interests | (0.1) | - |
| Net profit (loss) | 5.0 | 3.6 |
| Net cash flow from operating activities | 5.1 | 6.1 |
| **Personnel** | | |
| FTE as at 31 December | 919 | 764 |
| Average number of FTEs for year | 836 | 711 |
| **Consolidated balance sheet information** | | |
| Shareholders' equity | 43.7 | 35.5 |
| Total equity and liabilities | 79.2 | 58.2 |
| **Ratios** | | |
| EBITDA / net revenue | 11.5% | 9.9% |
| Net profit [1), 2)] / net revenue | 5.6% | 4.9% |
| Net profit [1), 2)] / average shareholders' equity | 12.6% | 10.2% |
| Solvency (Shareholders' equity / total assets) | 55.2% | 61.0% |
| **Information per share of a nominal value of 0.10 (in €)** | | |
| Net profit [1), 2), 3)] | 0.56 | 0.41 |
| Shareholders' equity [4)] | 4.71 | 4.06 |
| Dividend [4), 5)] | 0.33 | 0.24 |

1) In 2016 the net profit includes a one off deferred tax benefit of € 0.8 million, related to the final liquidation of ICT Software Engineering GmbH
2) Represents the net profit (loss) attributable to the shareholders of ICT Group N.V.
3) Based on the average number of issued shares
4) Based on number of issued shares at year end
5) In 2016, shareholders will be offered the option: cash or shares

# HIGHLIGHTS
# FY 2016

- Revenue up 25% to € 89.7 million, 8% organic growth
- EBITDA increased 44% to € 10.3 million, organically EBITDA was up 5%
- Recent acquisitions contributed considerably to the growth in revenue and results
- Net result came in at € 5.0 million, a 41% increase compared to 2015
- Proposed dividend of € 0.33 per share for the year 2016

# FOREWORD

Last year was a successful year for ICT, as we took many steps in the execution of our strategy. We continued with a clear focus on what we try to accomplish every day: making the world a bit smarter. We relentlessly lived up to our slogan: challenge us. We have challenged ourselves, each other and just as importantly our clients. And vice versa, obviously.

Our clients once again challenged us with complex and challenging projects that we successfully completed. I am proud of the energy this released. Just as I am proud of the performance we delivered last year.

We continued on our path of creating an even more customer centric organisation. Combined with the revival of entrepreneurship throughout the company, this translated into healthy organic growth. The add-on acquisitions we made last year further enhanced our position in our three main themes: Smarter Industry, Smarter Cities and Smarter Health. These acquisitions accelerated the transformation of ICT from a secondment provider to a company able to fully manage large and complex projects and develop and sell its own proprietary software. ICT is well on track to becoming one of the largest Industrial Technology players in the Netherlands.

In 2016, we continued to challenge our people to innovate and to be more entrepreneurial. And we did it successfully. We originated a whole range of new business development initiatives. At the same time, we continued to take a disciplined approach, using lean start up processes to assess, identify and develop viable business propositions. This results in early go-no go decisions, but also enables us to move full speed ahead when the project is promising. Last year, we also launched the smart platform concepts, which combine technology with industry expertise. Partnerships are at the heart of these developments, from the support of lean start-up initiatives to collaboration with many other high tech and ICT companies.

New business development is key to ICT's overall development. I personally dedicate a significant amount of my time to coaching our people on how to turn new business development initiatives into commercial successes. We will continue to invest substantially in new technologies and the development of new solutions. We defined our strategy in 2015, delivered on an accelerated execution in 2016, and are excited to continue our successful strategy and further build on our strong foundation in 2017. Our acquisition strategy is aimed at achieving strong positions in each of our three main themes. By developing solutions tailored to the needs of the healthcare sector and vital public infrastructure, our aim is to make the world a bit smarter. In everything we do, in all our solutions, every single day.

And we will continue to challenge ourselves. Our goal is to outperform the market in terms of organic growth, in a market environment that is picking up. This offers ample room for growth, although the very tight labour market remains a potential bottleneck. Attracting fresh talent and retaining our people continues to be one of our key priorities. We want to remain an employer of choice by nourishing our culture of innovation and entrepreneurship. A culture in which people feel energised by the way we work and what we strive to accomplish.

I would like to thank all of our people. ICT is about technology, but our people are the company's real value drivers. Our over 950 colleagues are passionate about technology, a language so powerful that it binds 23 nationalities in one group. I look forward to continuing to build this company together, and creating an environment in which we value challenging and being challenged, bringing out the best in ourselves, and making the world a bit smarter at the same time.

*Jos Blejie*
*CEO ICT Group*

# STRATEGY

## The evolution from a leading software integrator to a total technology & service provider

The world is in the midst of the next industrial revolution, driven by technology-based innovations. Innovations that offer opportunities and may radically alter industries, but at the same time add complexity due to the multitude of automated systems that increasingly communicate and exchange more and more data with each other.

ICT is uniquely positioned in the sweet spot of understanding the full range of sensor technology, cloud technology, data analysis and data communications necessary to help customers to seize the opportunities of this technology revolution and to support the digital transformation of its customers.

Technology-based innovations are critical to the competitive edge of ICT's customers: getting smarter every day in every product, process or application. ICT is able to link people, technology and ideas. Moreover, ICT is able to translate new and innovative technologies into relevant business solutions, and introduce these solutions in the heart of its customers' operations in a safe and secure manner.

## Focus on smart

ICT has made clear choices in terms of the areas in which its unique range of expertise has the highest impact and where its solutions provide the highest added value for its customers. This focus enables ICT to further enhance its technological expertise and its innovative capabilities.
ICT focuses on:

1) Smarter Cities – Technologies to enhance the quality and performance of urban services and at the same time reducing costs and resource consumption (sustainability).
2) Smarter Industries – Intelligent manufacturing technologies, both embedded and process automation, supporting the digital transformation and the continued robotisation of industry.
3) Smarter Health – Software solutions to enhance the exchange of data in the healthcare sector, enabling synoptic reporting and faster diagnosis.

## Adding value with affordable and proven solutions

Within these focus areas, ICT services multiple industries, with multidisciplinary teams leveraging the knowledge and expertise of individual industries. In doing so, ICT combines the strength of focusing on specific areas with the learning curve in multiple industries. This is also enabling ICT to gain the scale it needs to fuel its R&D platform and stay at the forefront of technological developments. The geographical mix combines creativity in design in ICT's core market, the Netherlands, and development capabilities in its near-shoring location in Bulgaria. As a result, ICT can offer repeatable and scalable innovative solutions, addressing the growing demand of its customers for affordable and proven solutions.

## Mix of solutions and services

As part of its transformation into a total solutions provider, ICT focuses on growth in the total suite of capabilities: from engineering design to the operation and maintenance of delivered systems. This enables ICT to offer a wide variety of one-off products and services specified by the customer, as well as fully in-house developed software as a service, all delivered securely to customers for many years.

## Collaboration

To offer customers the highest added value, ICT needs to adapt and respond quickly to the rapidly changing environment. It is no longer possible to innovate solely from the inside; partnering is essential to exponential innovation. In these changing market conditions, ICT collaborates intensively with customers and partners, both reputable globally operating corporations, as well as lean start-up companies embracing leading edge technologies.

## Path to growth

ICT pursues growth both organically and through acquisitions. ICT has a buy and build strategy, aimed at expanding its current distinctive niche position. Acquisitions are an integral part of increasing scale or enhancing knowledge in distinctive niche areas. ICT's growth strategy drives its mission to become the European Technology Solutions and Services provider (TSP) in defined markets, characterized by a drive to innovate and a passion for its customers.

Increasing the offering of innovative, replicable and scalable solutions in which ICT takes full integral project responsibility drives organic growth. ICT's ability to recruit and retain the right people is critical for organic growth.

## Investing in people and knowledge

Retaining and sharing knowledge increases the added value that ICT can offer its customers. That is why ICT invests long-term in the knowledge of its professionals and in their extensive expertise in customers' operations and industries. ICT's employees are educated and challenged on a continuous basis, helping to create an energising and inspiring environment. We encourage people to look beyond boundaries, to find new solutions and think outside the box.

## Progress in 2016

In 2016, ICT made significant further progress in the execution of its strategic road map. The company completed the transition to a more customer centric business unit structure, which translated into healthy organic growth of 8%.

ICT combined its strong organic development with growth through acquisitions. In early 2016, ICT completed the acquisition of 51% of the shares in BMA, a leading Dutch healthcare software company active in the domain of obstetrics. This transaction further enhanced ICT's position in the field of Smarter Health. At the end of the first half year of 2016, ICT acquired the water-related activities of Dynniq and in September ICT acquired Nozhup, a company active in process automation in the industry and infrastructure markets. With these acquisitions, ICT is well on track to deliver on its ambition to become one of the largest Industrial Technology players in the Netherlands, serving the global themes Smarter Industries and Smarter Cities.

Initiatives to spark entrepreneurship in the organisation have led to multiple initiatives originated at all levels and business units in the organisation. A number of these have the potential to develop into viable business propositions, such as ICT Mobile, which bundles the latest mobile technologies in the Mobile Enterprise App Platform. ICT's focus on new business development is also reflected in our commitment to invest 1.5% of turnover in R&D. These investments, geared towards all kind of new technologies in new product market combinations, are vital to the company's future success.

The change of the statutory name from ICT Automatisering N.V. to ICT Group N.V., was adopted by the AGM in May 2016. The new name better reflects the clear focus and the international character of the company.

## Focus in 2017

In 2017, ICT will continue to focus on the further execution of the strategy, aimed at organic growth combined with add-on acquisitions. ICT aims to obtain a leading position in each of its three defined themes. Supported by the recent acquisitions, ICT has achieved a stronger position in Smarter Industries, which now represents roughly 60% of the company's total revenue.

To support the transition from a leading software integrator to a total technology and service provider, ICT strives to increase its higher value added revenue from projects,

| Total Technology & service provider | | | |
|---|---|---|---|
| | Smarter Cities | Smarter Industries | Smarther Health |
| Automotive & Mobility | + | + | |
| Water & Infrastructure | + | + | |
| Food, Chemicals & Pharma | | + | + |
| Transport & Logistics | + | + | |
| Oil & Gas | | + | |
| Healthcare | | | + |
| High Technology | | + | + |
| Energy | + | + | |
| Manufacturing | + | + | |
| Traffic & Transport (InTraffic) | + | | |

as well as from services and licences. The latter also provides ICT with a recurring revenue stream. ICT aims to generate around 30% of its total revenue from both project and services & licences, with another 40% of its revenue from secondment.

Furthermore, ICT's ambition is to serve its multinational clients, also at locations outside the Netherlands. This is an ambition that ICT will continue to pursue as part of its growth strategy.

The integration of acquisitions is one of ICT's main priorities for 2017. Bringing all the professionals from the different acquisitions and their ICT colleagues together under one roof will be an element in the integration process. In 2017, the former Dynniq professionals and ICT professionals in the water infrastructure field in Groningen will be relocated to one location. This will also apply to the staff from Nozhup and the ICT professionals in Gorinchem. Raster and BMA will continue to operate under their own label, like Improve, of course in close collaboration with the group. Integration of processes and uniform systems will stimulate this collaboration and will increase efficiency. In terms of R&D and technology, ICT will continue on its path towards the next level of professionalization, focused on digital transformation.


## BREAKING THE ALL-TIME RECORD ON THE FAMOUS NÜRBURGRING NORDSCHLEIFE RACE TRACK

**Motar controls InMotion KP&T IM/e race car**

ICT has partnered with Automotive Technology InMotion to jointly develop the KP&T IM/e race car. InMotion is looking to participate in the 24-hour Le Mans race with their IM01 endurance racer. They also want to break the all-time electric car speed record on the famous Nürburgring Nordschleife race track. As the forerunner of the IM01, InMotion is currently developing the KP&T IM/e electric formula race car, which will act as a test platform for multiple systems and technologies.

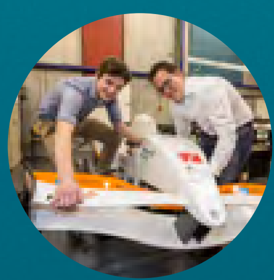
**The challenge**

ICT and InMotion have joined forces to develop the Electrical Control Units (ECUs) for the complete KP&T IM/e race car. ICT is providing their Motar platform, consisting of the ECU hardware, Basic software and a model-based development toolkit. InMotion is developing the actual control algorithms that will run on these ECUs, controlling the entire car.

**The solution**

With Motar, ICT offers a solution in which your ECU firmware is ready as soon as the control algorithms are finished. Once your Simulink® prototype model is ready, you can build and flash your model on a production class automotive hardware target from within Simulink® with the simple click of a button. Motar bridges the gap from model to target.

**EEUWKE WIELINGA**
Business Unit Manager Automotive and Mobility



# SHAREHOLDER INFORMATION

## General

ICT Group N.V. (ICT) has been 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 2016, the number of issued ordinary ICT Group N.V. shares amounted to 9,288,309 (2015: 8,747,544).

## 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 |
|---|---|---|
| Darlin N.V. | 10.08 | 2-12-2016 |
| FMR LLC | 9.63 | 1-1-2016 |
| Delta Lloyd Deelnemingen Fonds | 5.92 | 1-11-2006 |
| 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 |
| Herapos B.V. | 5.07 | 28-10-2016 |
| Decico B.V. | 5.01 | 1-11-2006 |
| P.C. Van Leeuwen | 4.57 | 18-2-2016 |
| Lazard Frères Gestion SAS | 3.53 | 16-4-2014 |
| Otus Capital Management Ltd | 3.19 | 29-9-2015 |

## The share in 2016

| Closing prices in euro | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Highest share price | 10.86 | 8.80 | 6.05 | 4.87 |
| Lowest share price | 7.50 | 5.74 | 4.62 | 2.87 |
| Share price as at 31 December | 10.25 | 8.40 | 5.81 | 4.75 |
| Dividend as % of the share price as at 31 December * | 3.22 | 2.86 | 3.96 | 3.15 |
| Price/earnings ratio (end financial year) | 18.30 | 20.49 | 10.38 | 8.48 |
| Market capitalization as at 31 December (x € 1 million) | 95.2 | 73.5 | 50.8 | 41.6 |

* 2016: 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.

## 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 during 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-to-one meetings with major shareholders and institutional investors. The number of these meetings, also with international investors, has increased in the past year.

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 Calender 2017 | |
|---|---|
| 26 April 2017 | Trading update first quarter |
| 10 May 2017 | General Meeting |
| 16 August 2017 | Publication of first half year results 2017 and analyst meeting |
| 25 October 2017 | Trading update third quarter |

# MEMBERS OF THE BOARD

## Members of the Supervisory Board

| | |
|---|---|
| Name | Mr. Th.J. van der Raadt (1953), chairman (as from 30 May 2011) |
| Nationality | Dutch |
| Position | Director, Van der Raadt Management BV |
| Ancillary positions | Chairman of the Supervisory Board of VBK Uitgeversgroep B.V., Utrecht<br>Member of the Supervisory Board of Remeha Group BV – BDR Thermea |
| Initially appointed in | 2011 |
| Re-appointed | 2015 |
| Current term until | 2019 |

| | |
|---|---|
| Name | Mr. F.J. Fröschl (1951) |
| Nationality | German |
| Position | CEO, HI TEC INVEST |
| Main ancillary positions | Chairman of the Supervisory Board of Thinkstep AG (former PE-International AG), Stuttgart, Germany |
| Initially appointed in | 2011 |
| Re-appointed | 2015 |
| Current term until | 2019 |

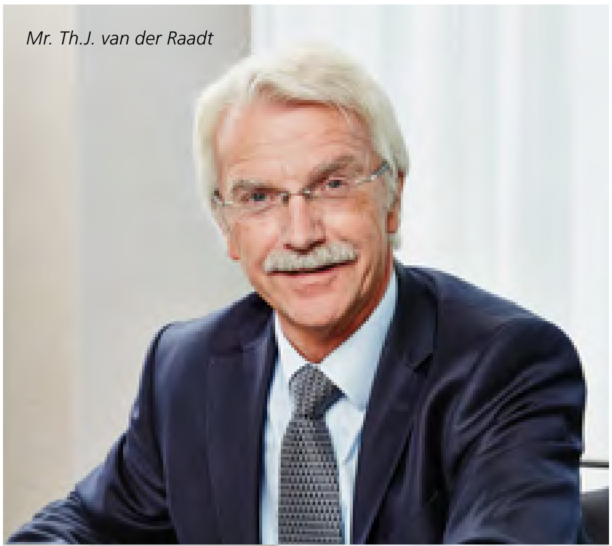
| | |
|---|---|
| Name | Mr. D. Luthra (1950) |
| Nationality | Indian |
| Position | Director, Nogunoglor Holding BV |
| Main ancillary position | Member of the Board of Advisors, Van Weelde Shipping Group |
| Initially appointed in | 2012 |
| Re-appointed | 2016 |
| Current term until | 2020 |

| | |
|---|---|
| Name | Mr. J.A. Sinoo (1953) |
| Nationality | Dutch |
| Position | Managing Partner at Grant Thornton Executives B.V. |
| Main ancillary positions | Chairman of the Supervisory Board of MaxGrip BV, Utrecht<br>Chairman of the Raad van Toezicht of CVO Groep, Driebergen |
| Initially appointed in | 2010 |
| Re-appointed | 2014 |
| Current term until | 2018 |

## Member of the Executive Board

| | |
|---|---|
| Name | Mr. J.H. Blejie (1959) |
| Nationality | Dutch |
| Position | CEO and Chairman of the Executive Board |
| Main ancillary position | Member of the Board of Advisors, The Blue Hour |

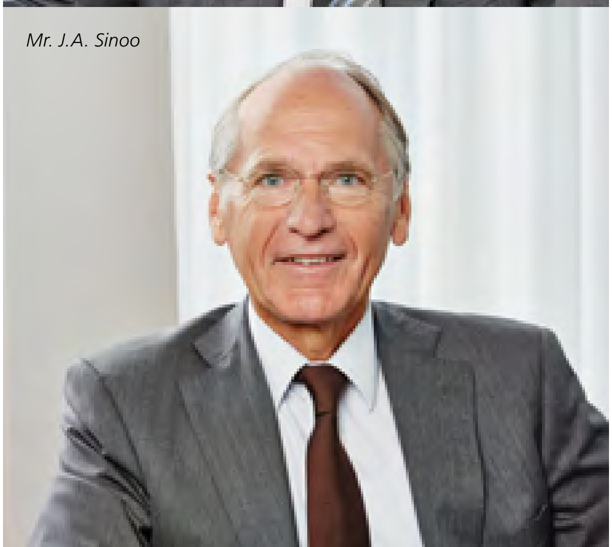
| | |
|---|---|
| Name | Mr. W.J. Wienbelt (1964) |
| Nationality | Dutch |
| Position | CFO and member of the Executive Board |



*Mr. Th.J. van der Raadt*

*Mr. F.J. Fröschl*

*Mr. D. Luthra*



*Mr. J.A. Sinoo*

*Mr. J.H. Blejie*

*Mr. W.J. Wienbelt*

# REPORT OF THE SUPERVISORY BOARD

## Introduction

We are pleased to present the ICT Group Supervisory Board report for the 2016 financial year. In the past year, ICT again took a number of significant steps in the execution of the company's strategic road map. The transition of the company into a customer-centric, business unit structured organisation paid off, as demonstrated by the healthy organic growth achieved in the year under review. The companies, Strypes and Raster, acquired in 2015, developed well and according to plan. In 2016, the company made a number of acquisitions, including BMA and Nozhup. The BMA acquisition further strengthened the company's position in Smarter Health, and this combined with the acquisition of Nozhup puts ICT well on track to deliver on its ambition to become one of the largest Industrial Automation players in the Netherlands. The increased focus on new business development is bearing fruit, something clearly reflected in a number of new initiatives such as ICT Mobile. The Supervisory Board is pleased to see that the management's actions have infused and continue to infuse the company with entrepreneurial spirit.

## Financial statements 2016

In a meeting held on 2 March 2017, the Supervisory Board discussed the 2016 financial statements drawn up by the Executive Board. The Audit Committee discussed the financial statements and the audit findings in depth with the auditors at its meeting on 23 February 2017. The financial statements were audited by Deloitte Accountants B.V., who issued an unqualified audit opinion that is presented in full on page 126 of this Annual Report.

The Supervisory Board recommends that the Annual General Meeting of Shareholders, to be held on 10 May 2017, adopts the financial statements for the year 2016 and discharges the members of the Executive Board and the members of the Supervisory Board for their management of the company and the supervision of same respectively in the year under review. Furthermore, the Supervisory Board endorses the Executive Board's dividend proposal of the payment of an optional dividend in cash or in shares of € 0.33 per share for 2016. The dividend shall be payable as per 7 June 2017.

## Activities of the Supervisory Board in 2016

In the year under review, the Supervisory Board had eight meetings in the presence of the Executive Board. An important topic during those meetings was ICT's growth strategy. Another important item on the agenda was the span of control of the Executive Board in the light of the sector and geographical diverse acquisitions made, as was part of the discussions regarding the group's internal risk management and control systems. The measures to embed acquired operations in the risk management structure and the mitigating measures in the interim were presented by the Executive Board and challenged by the Supervisory Board. The Supervisory Board feels confident about the approach taken by the Executive Board to the integration of its acquisitions. In July 2016, the Supervisory Board visited Strypes in Bulgaria.

Attracting and retaining people remains a top priority. The tight labour market in the Netherlands was therefore a topic discussed extensively in the Supervisory Board meetings. The Supervisory Board discussed ICT Group's recruitment campaign and other actions aimed at its existing and future employees. Other items that were discussed over the course of the year were the company's financial performance, the name change that was approved in the AGM in May 2016, the Balanced Scorecard achievements and targets of management, the revised Corporate Governance Code, the culture within ICT, employee satisfaction and the closure of the Polish operations.

The Supervisory Board met to evaluate the performance of the Executive Board as a whole and the members of the Executive Board individually. The Board also discussed and evaluated the performance of the Supervisory Board itself, the members of the Supervisory Board individually and its committees. In the year under review, the Supervisory Board met on five occasions in the absence of the Executive Board. Furthermore, representatives from the Supervisory Board met with representatives from the works council, to discuss matters such as ICT's growth strategy, the share participation plan for employees and the proposed reappointments of Supervisory Board members retiring by rotation. As in previous years, cooperation between the Supervisory Board and senior management, including the Executive Board, has been both constructive and open. The Supervisory Board received all the information they required to fulfil their role effectively, both from senior management and the Executive Board.

## Composition of the Supervisory Board

The composition of the Supervisory Board was unchanged in the year under review. Mr. Luthra was reappointed for another standard term of four years by the Annual General Meeting held on 11 May 2016. For personal details of the Supervisory Board members, we refer you to page 14 of this Annual Report.

The Supervisory Board currently comprises four members. The various members bring experience to the Supervisory Board from a broad range of industries, geographical regions and listed companies. This is in line with our Supervisory Board profile, which is available on the ICT website, and results in a well-balanced composition of the Board in view of the nature of the business of ICT Group, and the requirements of good governance. The Supervisory Board will continue to evaluate the competencies of (new) Supervisory Board members, bearing in mind the added value of diversity in the Supervisory Board. The Supervisory Board established that its members can be considered independent in accordance with the criteria listed in the Corporate Governance Code.

## Supervisory Board committees

### Audit Committee

Mr. Deepak Luthra (Chairman) and Mr. Jan Sinoo are the members of the Audit Committee. In 2016, the Audit Committee met with ICT's Chief Financial Officer and the Finance Manager on four occasions. The external auditor was invited to attend all these meetings but could not attend one of these meetings. The Audit Committee also met with the external auditor in the absence of the Executive Board. The Audit Committee meetings are generally held slightly ahead of the Supervisory Board meetings, where the Audit Committee Chairman reports on the principal issues discussed, on any actions to be taken and the follow-up to such actions.

In recognition of the significant changes in the composition of the group, its locations and its operations since 2012, the inflation in audit costs and the statutory requirement for a change in the responsible partner at the audit firm after five years, the Supervisory Board decided to put the external audit out to tender for the financial years commencing 2017. In accordance with the new Corporate Governance Code, the Audit Committee took the lead in this process by forming a steering committee comprising the members of the Audit Committee, the Chief Financial Officer and the Finance Manager. Five audit firms were invited to tender for the audit of the ICT Group and following written and oral presentations by the firms, the selection committee selected two firms to proceed to the next phase of the selection process. In its meeting on 7 December 2016, the Supervisory Board agreed to appoint PriceWaterhouseCoopers as external auditors of ICT Group NV and its subsidiaries in principle for three years commencing with the financial year 2017, subject to approval

## HOW DO YOU MAKE THE MOST OF MEDICAL BIG DATA?

**Big data in healthcare**
Every single day, hospitals generate and collect huge amounts of data, such as patient data, results of scans and other medical exams. They can use this big data to improve the quality of the care they provide, for instance by making data available for research into more effective treatment methods.

**The challenge**
Medical specialists still frequently record data during patient treatments in an unstructured manner. In addition to complex systems such as Electronic Patient Records, specialists also use hand-written or typed records. This makes organising and searching through this data both time-consuming and expensive. On top of this, unstructured reporting makes mistakes more likely, which in turn means that the data itself is less reliable.

**The solution**
ICT Group helps medical institutions to organise their data using the LogicNets decision support and structured reporting software to structure and automate the collection of data. The platform enables medical specialists to work more efficiently by helping them to report in a structured manner. This means that the collected and structured data can provide added value at a later date when the specialists are looking for ways to improve treatment plans. The biggest advantage of this is that structured data makes it easier and simpler to find the information they are looking for, and they can use the result for research purposes to improve the healthcare they provide.

**RAYMOND BEIJEN**
Regional Sales LogicNets Europe

by the shareholders at the Annual General Meeting in May 2017. Other subjects discussed during the year under review included:

- the 2016 interim (quarterly) financials and the 2017 budget;
- the risk management and internal control framework;
- the management letter, the external auditor reports, key audit matters and the follow-up by management on the recommendations made by the external auditor;
- Application of the accounting principles, including the impact of (anticipated) changes in the applicable IFRS standards and accounting by and for newly acquired interests;
- the performance of the individual units, also in the light of the annual (goodwill) impairment testing; and
- the financial and other processes relating to any strategic combinations under consideration.

### Remuneration and Appointments Committee

This committee consists of Mr. Jan Sinoo (Chairman) and Mr. Theo van der Raadt. The committee held three meetings in the year under review. Subjects discussed included the remuneration policy for the Executive Board, to which a number of adjustments will be proposed to the Annual General Meeting. An external specialist was consulted to establish the market conformity of the remuneration of the Executive Board. One of the conclusions based on the findings was that the long-term element in the Executive Board remuneration policy needs to be reconsidered. The remuneration policy is therefore currently being reviewed and a new proposal will be submitted to the shareholders for their approval at the AGM to be held on 10 May 2017. The committee meetings are generally held slightly ahead of the Supervisory Board meetings, where the committee chairman reports on the significant matters discussed. The Chairman of this committee also makes recommendations on matters requiring a decision by the Supervisory Board as a whole.

## Composition of the Executive Board

There were no changes to the composition of the Executive Board in 2016.

## Remuneration of the Executive Board

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 three components:

a) fixed management fee, including a compensation plan for the costs of insurance against illness, occupational disability and pension;
b) short-term incentive as a reward for meeting short-term (one-year) performance targets as defined in the balanced scorecards, consisting of an annual bonus paid in cash;
c) long-term incentive through mandatory participation of 25% of the short-term incentive in a long-term incentive programme. In addition, the members of the Executive Board are allowed to invest a maximum € 25,000 each in ICT shares from their own funds on an annual basis, under the same incentive scheme.

Further information on the existing remuneration policy, as well as the actual remuneration of the Executive Board is included in note 24 (page 101) to the consolidated financial statements and can also be found on the ICT Group website (https://ict.eu/about-us/investor-relations).

## Corporate Governance

The Supervisory Board and the Executive Board share responsibility for ICT Group´s corporate governance structure. At least once each year, the Supervisory Board discusses corporate governance rules applicable to the Company and advises on possible changes. The Supervisory Board is aware of the publication of the new Corporate Governance Code in December 2016, applicable from 2017 onwards. The Board will assess its implications for the company. As a principle, ICT Group will comply with the provisions of the new Code or explain any deviations. A separate section on corporate governance is included on page 50 of this Annual Report. This section describes the company’s approach to corporate governance and explains how the company implements the current Dutch Corporate Governance Code.

## Successful execution of the strategy

The members of the Supervisory Board wish to express their appreciation to the employees of ICT Group and the Executive Board for their commitment and valuable contribution to the successful execution of the company’s growth strategy.

Barendrecht, 2 March 2017
The Supervisory Board

*Th.J. van der Raadt (Chairman)*
*F.J. Fröschl*
*D. Luthra*
*J.A. Sinoo*

## HOW DO YOU BUILD A SMART FACTORY FROM SCRATCH?

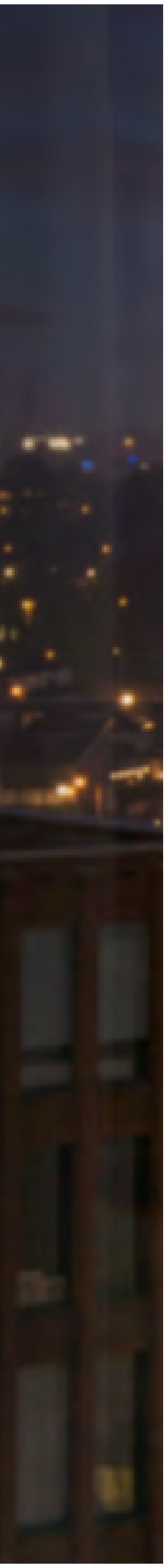
**MES solution at Danone Nutricia**
Leading global baby food producer Danone Nutricia needed additional capacity for the spray drying production of infant milk powder in Western Europe. ICT was selected to engineer, deliver, install and implement the complete manufacturing execution system for a brand new factory in Fulda, Germany.

**The challenge**
The most challenging aspect of this assignment was that it was a so-called greenfield project. This means the factory was to be built in a completely new environment. So the manufacturing execution system had to be developed from scratch, without any constraints from existing infrastructure or users. But it also meant that we had to fly in experts and key users from Danone factories all over the world to help us set up the user requirements. We organised workshops and interviews to get answers to questions like: what information do you need? What are your workflows? How do you want to monitor and control your production process? What kind of quality checks do you perform?

**The solution**
Because this was a greenfield project, we used a different approach in the development process. Top-down and order driven, rather than bottom-up and equipment driven. The result is a fully operational Wonderware Manufacturing Execution System (MES) – the lynchpin between customer demand and the machines delivering the right product. Thanks to this solution, Danone Nutricia now has a state-of-the-art factory, complete with highly intelligent production processes, connected machinery, integrated information systems, traceability of products and continuous performance analysis.

**BAS HAZEWINKEL**
Business Development Manager ICT Industry

# REPORT OF THE EXECUTIVE BOARD



## INTRODUCTION

Last year was a good year for ICT. It was a year in which we accelerated the execution of our strategy and continued to make the transition to an even more customer-centric organisation, which translated into healthy organic growth of 8%. The acquisitions we made in the past year improved the balance of the focus on our three main themes. ICT Netherlands performed well in 2016, as did the companies acquired in 2015. Both Strypes and Raster made significant contributions to our results.

### Acquisitions

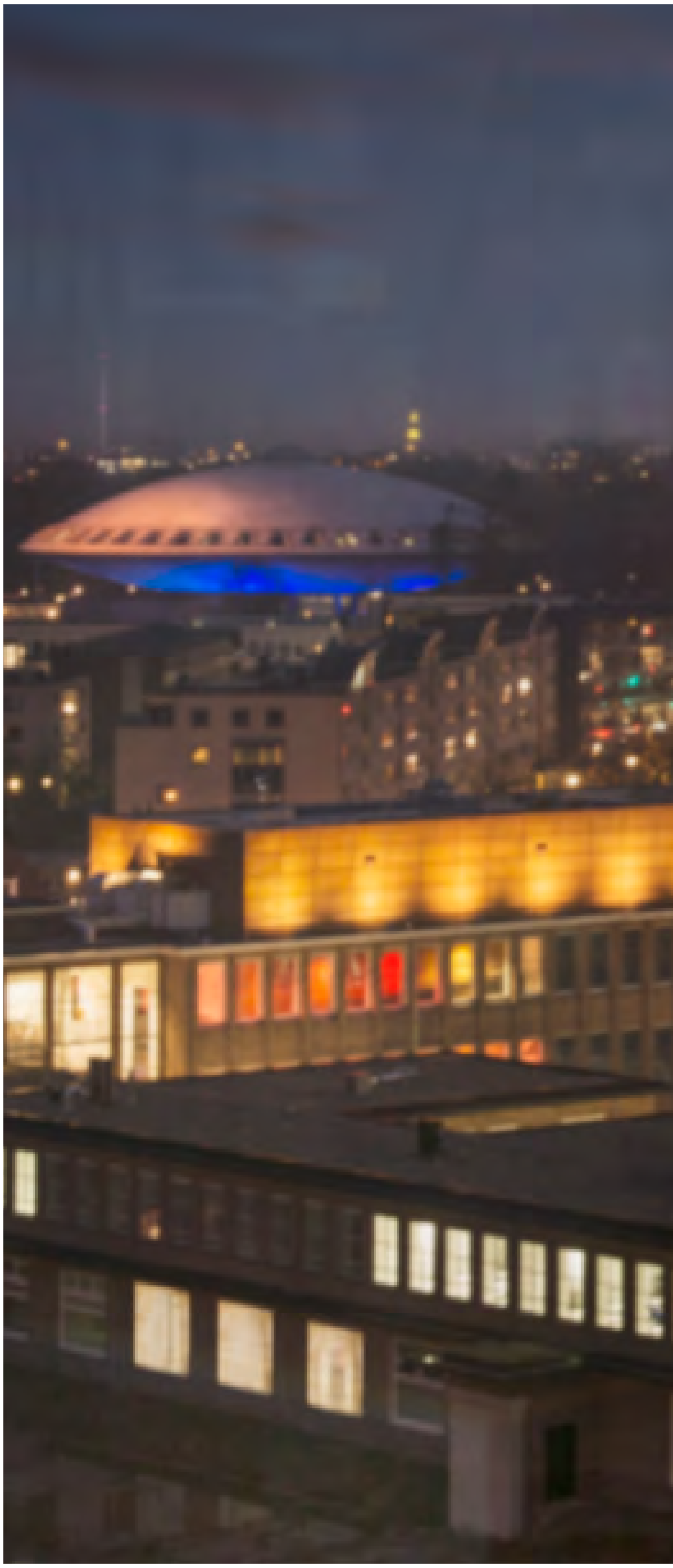
The acquisitions of the past year accelerated the transformation of ICT, from secondment provider to a company able to fully manage large and complex projects. In early 2016, ICT completed the purchase of 51% of the shares in BMA, a leading Dutch healthcare software company active in the domain of obstetrics. The addition of BMA, with a clear focus on technology to support medical specialists, further enhanced ICT's position in the field of Smarter Health. In June 2016, ICT acquired the activities of Dynniq in the water infrastructure field. This has strengthened our position in infrastructural process automation, which is part of the Smarter Cities theme.

The acquisition of Nozhup, a well-respected industrial automation project and services provider, in September 2016 gave ICT significant added scale in the Industrial Automation market, giving us the ability to address technologies in Smarter Industries. Nozhup delivers projects, services, project management and consultancy in process control and instrumentation engineering. On top of this, it provides the design and implementation of control software and hardware and systems integration of technical installations. The company focuses on both the industrial market, mainly in the sectors machinery and chemicals, and the infrastructure market. Nozhup's diversified customer base is largely complementary to ICT's own customer base. These acquisitions put ICT well on track to become one of the largest Industrial Technology players in the Netherlands.

### New business development

New business development is key to the overall development of the ICT Group. That is why ICT continues to invest substantially in new technologies, to continue the path towards the next level of professionalization, focused on digital transformation.

Initiatives to spark entrepreneurship in the organisation have led to multiple initiatives originated at every level of



*Jos Blejie, CEO*

*Jan Willem Wienbelt, CFO*

the organisation and at all ICT's business units. A number of these initiatives have the potential to develop into viable business propositions. These include ICT Mobile, which bundles the latest mobile technologies in the Mobile Enterprise App Platform. ICT's focus on new business development is also reflected by our commitment to invest 1.5% of our revenue in R&D. These investments, geared towards all kinds of new technologies in new product market combinations, will be vital to the company's future success. Working in partnerships is a very important element in ICT's strategy. These partnerships vary from supporting start-ups in different forms, to alliances with numerous other high-tech companies.

### ICT Group

As the Polish operations had not achieved the required scale to make the continued operation viable, ICT closed down its Polish activities as per the end of May 2016. ICT decided to focus its nearshoring capabilities fully on Strypes Bulgaria. This focus paid off, given the considerable growth of the company's operations in Bulgaria. In 2016, the company's shareholders officially adopted the statutory name change of the company to ICT Group N.V. This new name better reflects the clear focus and international character of the company.

### Notes to the results

#### Revenue

In 2016, ICT Group's revenue came in at € 89.7 million, 25% higher than the € 71.8 million reported in 2015. Organically, revenue increased by 8% and 17% of growth was driven by the recent acquisitions Raster, BMA and Nozhup. Organic growth was driven by the increase in the number of FTEs, higher average rates and improvements in a number of markets in which ICT is active.

Revenue at ***ICT Netherlands*** increased 13% to € 69.0 million in 2016, from € 61.0 million in the previous year. This includes four months of revenue from Nozhup, as this activity was consolidated in ICT Netherlands from September onwards. Organically, ICT Netherlands recorded 7% higher revenues. Nozhup is meeting expectations and is making a clear contribution to ICT Netherlands' profitability. In 2016, ICT Netherlands managed to realise 2% higher average rates. Productivity levels and licences and materials sales were more or less unchanged compared to the previous year.

## FINANCIAL REVIEW

Key figures:

| (x € 1,000,000) | **2016** | 2015 |
|---|---|---|
| **Revenue** | **89.7** | **71.8** |
| Added value | 79.4 | 65.5 |
| **EBITDA** | **10.3** | **7.1** |
| amortisation / depreciation / impairment | 2.9 | 1.8 |
| **Operating profit** | **7.4** | **5.3** |
| Financial income (expenses) | (0.5) | (0.3) |
| Result from joint ventures and associates | (0.8) | (0.3) |
| Corporate income tax | (1.7) | (1.1) |
| Net profit from continuing operations | 4.3 | 3.6 |
| Discontinued operations * | 0.8 | - |
| Non-controlling interests | (0.1) | - |
| **Net profit *** | **5.0** | **3.6** |
| Earnings per share | 0.56 | 0.41 |
| Dividend per share (proposal to the AGM) | 0.33 | 0.24 |

* Net profit in 2016 included a one off deferred tax benefit of € 0.8 million, related to the final liquidation of the ICT Software Engineering GmbH.

The conditions on the Dutch industrial market were favourable last year, which was reflected in the solid performance of the ICT business units active in this market. The public infrastructure sector saw a lot of activity in 2016 and ICT was able to benefit from this and record strong results. ICT realised healthy growth in the Healthcare segment and sees plenty of opportunities for continued growth in this market. With the recent acquisition of BMA, ICT has clearly strengthened its position in this market.

***Strypes Bulgaria*** ("ICT Nearshoring") saw its revenues increase 33% to € 7.6 million in 2016, from € 5.7 million in 2015. Strypes has more than doubled its employee numbers since ICT acquired the company in early 2015, and has broadened its customer base by gaining a number of new clients. To be able to manage this increase in size and to ensure continued and sustainable strong growth, in 2016 Strypes invested in the professionalization of the organization, including quality controls.

These investments, which will continue in 2017, are already paying off, as Strypes was able to increase its profitability substantially in the second half of the year compared to the first half. This resulted in an EBITDA increase of 5% to € 1.7 million for the full year 2016.

The segment ***'Other'*** recorded revenues of € 14.3 million in 2016 (2015: € 6.2 million). Raster is delivering on target, despite the continuing difficult market conditions in the oil & gas industry in 2016. Their niche position, high quality standards and direct client relationships make them resilient in these challenging market circumstances. Improve performed well, in line with last year. In 2015, Improve achieved a substantial improvement in performance and the company was able to maintain its results at this level in 2016.

After a challenging first half of the year, in which BMA performed below expectations as a result of postponed projects, the second half of 2016 saw a recovery in results. The Dutch market is a declining market, as the number of hospitals is declining due to a number of mergers. However, BMA developed a new generation of software to facilitate international expansion, as this new generation software is easier to connect to different protocols in different countries. BMA is in a strong position for this international expansion. ICT Poland was closed down in the first half of 2016. On balance, the five months of revenue from ICT Poland was offset by the costs of closing down the operation.

### Costs / personnel expenses

In 2016, personnel costs increased by 20% to € 52.0 million (2015: € 43.5 million), as a result of the marked increase in the number of employees and a modest increase in salaries. Other operating expenses increased by 14%, mainly as a result of the recent acquisitions. In 2016, ICT invested in office accommodation, marketing & sales and its financial reporting & human resources processes, with investment levels similar to those in 2015. The HR investments focused primarily on improving the HR processes at the companies ICT has acquired over the past two years.

In addition, ICT invested more heavily in recruitment last year. The costs related to strategic initiatives and the realisation of acquisitions and partnerships amounted to € 0.5 million (2015: € 0.6 million).

### EBITDA

EBITDA for the full year 2016 increased by 44% to € 10.3 million, compared to € 7.1 million in 2015. Organically, EBITDA was up 5%, with ICT Netherlands and Strypes Bulgaria both recording higher EBITDA compared to 2015. The overall EBITDA margin increased to 11.5% in 2016 from 9.9% in 2015.

### Amortisation and depreciation

ICT has attributed a value to, and is amortising a number of intangible assets, including order backlog, software and customer relations of its recent acquisitions. Amortisation amounted to € 2.3 million in 2016, comprising € 0.7 million related to Strypes Bulgaria, € 0.6 million to Raster and € 0.6 million to BMA. For Nozhup, the annual amortisation will be € 0.4 million. Depreciation amounted to € 0.6 million in 2016 (2015: € 0.5 million).

### Operating profit

Operating profit amounted to € 7.4 million in 2016 (2015: € 5.3 million). The operating margin was 8.2%, compared to 7.4% in 2015.

### The results from joint ventures and associates

InTraffic was more or less in line with last year and contributed € 0.2 million to the results.

LogicNets performance improved significantly in 2016, as revenues from the platform doubled and the losses were halved in 2016 compared to 2015. Last year, we saw the completion of the development of the platform into a standardised solution, which has improved the marketability of the software platform. LogicNets won a number of reputable new customers. Despite the improvements on all key parameters, LogicNets is still lagging its original ambitious plans. ICT therefore decided to take an impairment on its stake in LogicNets in the fourth quarter of 2016. The downward valuation of LogicNets, including our share in the loss, amounted € 0.6 million. The book value of LogicNets per year-end 2016 amounted to € 0.5 million.

In 2016, ICT issued loans to start-up company CIS Solutions, a selling agency (for LogicNets and Internet of things solutions) in Germany. As the company is not yet profitable, the loans have been devalued by € 0.4 million in accordance with IFRS requirements. The book value of the loans was € 0.2 million as per year end 2016.

The total result from joint ventures and associates amounted to a loss of € 0.8 million (2015: € 0.3 million loss).

### Interest expenses

Interest expenses increased to € 0.5 million in 2016, from € 0.3 million in 2015, as a result of increased financing for the recent acquisitions, as well as the accrued interest on the deferred acquisition consideration for the remaining 49% of BMA. In July 2016, ICT extended its acquisition credit facility with Rabobank to € 11 million from € 6 million. Additionally, ICT increased its working capital credit facility to € 10 million from € 6 million. The conditions of the facilities remained unchanged.

### Taxes

In 2016, corporate income taxes related to the continuing business activities amounted to € 1.7 million, compared with € 1.1 million in 2015. ICT finalised the liquidation of ICT Germany in 2016. In 2014, ICT recognised a deferred tax liability related to the liquidation of ICT Germany. Given that the German activities were officially liquidated in Q4 2016, and the liability no longer exists, this liability has now been released. As a result, taxes from discontinued operations for 2016 amounted to a credit of € 0.8 million.

### Net profit

Net profit for the full year 2016 amounted to € 5.0 million, compared with € 3.6 million in 2015, an increase of 41%. This translates into earnings per share of € 0.56 for 2016 (2015: € 0.41). The number of outstanding ordinary shares had increased to 9,288,309 at year-end 2016 (31 December 2015: 8,747,544) due to shares issued as purchase consideration on acquisitions in 2016.

## Cash flow movement

The group cash (and cash equivalents) position amounted to € 5.6 million at year-end 2016, compared to € 6.7 million at year-end 2015. The cash flow from operating activities amounted to € 5.1 million positive in 2016 (2015: € 6.1 million positive). The higher cash income from operating activities was more than offset by the higher income tax paid. Cash flow from investment activities amounted to € 8.4 million negative, compared to € 11.8 million negative cash flow in 2015. The largest impact on the cash flow from investment activities in 2016 came from the net investments less cash acquired related to the acquisition of BMA and Nozhup (€ 6.3 million) and investments in office accommodation (€ 1.1 million).

Cash flow from financing activities amounted to € 2.2 million positive (2015: € 1.0 million positive), as a result of the net effect of dividend paid (€ 2.3 million), the payment of the earn-out obligation related to the acquisition of Strypes Bulgaria (€ 1.6 million) and the use of acquisition financing (€ 6.2 million cash inflow) related to the acquisition of BMA and Nozhup. The net cash flow amounted to € 1.1 million negative (2015: € 4.7 million negative).

## Balance sheet structure

As a result of the net effect of the payment of dividend of € 2.3 million, the issuance of € 5.4 million in new shares related to the acquisition of BMA and Nozhup, and net profit of € 5.0 million, shareholders' equity increased to € 43.7 million in 2016 (2015: € 35.5 million). The balance sheet total has increased to € 79.2 million at year-end 2016, from € 58.2 million at year-end 2015, as a result of the acquisitions made last year. Solvency (shareholders' equity/total assets) stood at 55% at year-end 2016, compared with 61% at year-end 2015, which represents a very sound financial basis.

## Personnel

The total number of employees stood at 919 FTE's at year-end 2016, an increase of 20%. This increase was due to both acquisitions and increased recruitment efforts.

## Dividend proposal

ICT proposes a dividend of € 0.33 per share for the 2016 financial year (2015: € 0.24). The dividend payment is subject to the approval of the Annual General Meeting of Shareholders (AGM) to be held on 10 May 2017. For the calculation of the proposed dividend, the realised net profit is adjusted for the non-cash amortisation amounts and the downward valuation of LogicNets. This results in an adjusted net profit for the full year 2016 of € 7.7 million. The proposed dividend represents of € 0.33 per share represents a pay-out ratio of 40% of the adjusted net profit. ICT will offer an option for payment in cash or in shares.

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 29 May 2017. The dividend will be payable, in cash or in shares, on 7 June 2017.

### Outlook

In 2017, ICT will continue to focus on the further leveraging of the strategic platform it has successfully built over the past years, aimed at organic growth combined with acquisitions. The goal of the acquisition strategy is to achieve strong positions in each of ICT's three main themes. Overall, the markets in which ICT is active are developing positively from a demand perspective, although some markets do remain challenging. ICT expects its capital expenditures and research & development expenditures for 2017 to grow in line with the increased scale of the company. The tight labour market remains a potential bottleneck, and attracting and retaining the right people continues to be one of our key priorities.Based on the above, ICT expects a further growth in revenue and EBITDA in 2017 compared to 2016.

### Executive board responsibility statement

Under the terms of the articles of association, the Company Executive Board is responsible for preparing the financial statements and the annual report in accordance with Dutch law and International Financial Reporting Standards (IFRS). Pursuant to article 5:25c of the Financial Supervision Act, the Executive Board members, taking into account the above, declare that to the best of their knowledge (i) the financial statements give a true and fair view of the assets, liabilities, financial position and profit of ICT Group N.V., and its consolidated subsidiaries; (ii) the annual report gives a true and fair view of the situation on the balance sheet date, developments during the financial year of ICT and its related companies and (iii) that the annual report includes a description of the principal risks ICT faces. ICT's Executive Board members have signed the financial statements pursuant to the legal obligations pursuant to article 2:101, paragraph 2 of the Dutch Civil Code and article 5:25c, paragraph 2c of the Financial Supervision Act.

Barendrecht, 2 March 2017
Executive Board

*J.H. Blejie*
*W.J. Wienbelt*

## HOW DO YOU DEVELOP A FLAWLESS APP AND A WEB PORTAL IN JUST SIX MONTHS?

### Limburg Water Level app

The Limburg Water Board, a merger of the Roer en Overmaas and Peel en Maasvallei water boards, provides the residents in its catchment area with information via the Limburg Water Level app and state-of-the art web portal. The app is an easy way for users to check current water levels 24/7 and sends a warning message in the event of high water levels. ICT Group developed the app and the webportal.

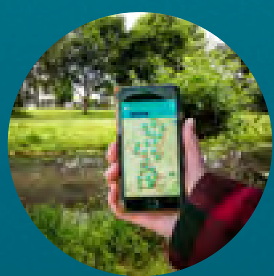
### The challenge

The water board wanted the option of testing the app internally during the high water season. This meant we had just six months to develop the app. On top of this, the water board wanted to be involved in the process and able to make adjustments during development so they could influence the final outcome.

### The solution

We used our smart cloud-based solution Smart Portal so we could build the app quickly and inexpensively. This enables us to combine all the data on the location of the streams and rivers and the water level measurements in a single application. Users can navigate this information via the app and the webportal. And thanks to our use of agile scrum development methods and an integrated plan of approach, the water board was always in control of the process, and we made our deadline!

**ARJEN VAN DAM**
Business Development Manager Water & Infra ICT Group



## RISK MANAGEMENT AND INTERNAL CONTROL

### Introduction

ICT Group's risk management is an integral part of the company's strategy. The risk management policy is the responsibility of the Executive Board and is given constant attention. The aim is to control and mitigate the most significant risks that ICT Group is or may be exposed to in an optimal fashion, while at the same time facilitating the realisation of operational and financial objectives. Our processes are designed to ensure that ICT complies with legislation and regulations. The risk management framework is reviewed once a year and discussed within the Executive Board, the Audit Committee and the Supervisory Board. It is the responsibility of the Executive Board to identify risks and to mitigate those risks by taking appropriate measures. ICT Group assesses all relevant risks according to the likelihood that they will occur and the impact they could have if they materialised, and ICT then assigns a weighting to those risks on that basis. ICT Group continuously evaluates its internal controls and takes measures to improve, where necessary, the controls. The table titled 'Sensitivity analysis' illustrates the impact of changes in ICT's revenues, operating expenses, net debt and the interest rates.

### Sensitivity analysis

| | Change | Impact | On | Assumption |
|---|---|---|---|---|
| Revenue | +/-1% | +/- € 0.9 million | EBITDA | Flat gross margin and no change to cost base |
| Revenue | +1% | + € 0.5 million | EBITDA | Flat gross margin and target 50% conversion |
| Revenue | (1%) | - € 0.5 million | EBITDA | Flat gross margin and target 50% recovery |
| Operating expenses | +/-1% | +/- € 0.7million | EBITDA | |
| Interest rate | +100 bp | + € 0.1 million | Financial charges | Average net debt 2016 |
| Net debt | +/- € 3 million | +/- € 0.1 million | Financial charges | Stable interest rates |

### 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<br>- Organisational structure, key areas of authority and lines of reporting<br>- Knowledge & skills, policies & procedures<br>- Oversight by Executive Board and Supervisory Board, responsibility for internal controls |
| 2. Entity-wide Risk Assessment Process | - Identifying business risks<br>- Evaluation of external and internal information<br>- Review of regular financial reports and ad-hoc reporting<br>- Approval of budgets, business planning documents and the business strategy |
| 3. Communication | - Internal communication: Identification and communication<br>- External communication: Preparation and review |
| 4. Monitoring of Controls | - Maintaining a monitoring process for entity-level and process-level controls<br>- Change of controls<br>- Evaluating KPIs and financial reporting results<br>- Testing the effectiveness of controls |

### 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 a 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 whistleblower policy;
- A quality system used to document all of ICT's significant processes.

ICT's management is receptive to employee's 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 temptations that might prompt personnel to engage in dishonest, illegal or unethical acts. A whistle blowing policy is in place and personnel can report suspected incidents anonymously.

ICT implemented an internal procedure, requiring ICT management to confirm compliance with ICT's policies and procedures, the so-called letters of representation. 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. 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 optimum 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.

## Improvements in the risk management and control systems

Our aim is to optimise the risk management system as a whole and make it as effective and efficient as possible. In 2016, we devoted particular attention to the following topics:

- Integration of recent acquisitions
- Improvements in Internal Control Framework
- Integration of ICT Group internal and external financial reporting in a consolidation tool
- Certificates / quality management; ISO 27001 improvements implemented and certification in place
- Extension of liability insurance for USA and Canada
- Extension of credit insurance (all customers and all legal entities)

For 2017, ICT has formulated a number of measures that will further improve the risk management system:

- Further integration of the internal controls in the internal financial reporting system. In this way, risks and mitigating measures at subsidiary level will also be linked to the financial reporting, making the risk management process more effective and efficient
- ISO27001 implementation for Strypes Bulgaria

### Key risk factors

Business risks are documented, identified and evaluated through ongoing assessment of internal and external events and information. 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 2016

The business risks that have changed compared to 2015 are explained below. In 2016, we devoted extra attention to these risks to ensure that we are well prepared if they should occur.

Risks related to newly acquired companies: As from 2014 onwards, ICT Group combined its strong organic development with growth through acquisitions. Also the coming years, the full focus remains on the further execution of the strategy, aimed at organic growth combined with acquisitions. This strategy does bring with it 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 organisation. When acquiring a company, there is a risk of an undesired outflow of staff. In addition, market circumstances and forecasts may sometimes necessitate the impairment of goodwill on acquisitions.

Market risk / sensitivity to economic cycles: ICT still is too dependent on a small number of large clients / markets. The strategy of focusing our core activities on the specified business areas, diversity in customers and suppliers mitigates the influence of cyclical and incidental positive and negative trends. ICT Group manages the risks it is exposed to as effectively as possible by making carefully considered choices and spreading its activities across different markets.

New business development initiatives are very important to the future development of the company. In some of these initiatives, ICT acts as a technology partner, supplier and customer of start-ups. If anything goes wrong in the chain, the impact on ICT may be twofold or threefold as a result of this multi-dimensional relationship. This relationship with start-ups can lead to financial risk (bad debt or impairment risk). ICT's focus on new business development, in combination with an acceptable risk level, is reflected by the company's commitment to invest 1.5% of turnover in R&D.

Revenue mix between secondment, projects, services or software development activities: to support the transition from a leading software integrator to a total technology and service provider, ICT strives to increase its higher value added revenue from projects, as well as from services and licences. Moreover, the latter provides ICT with a recurring revenue stream. ICT aims at around 30% of total revenue for both project and services & licences oriented revenue and 40% of its revenue from secondment. In this transition, unexpected or unanticipated risks in projects and the potential consequences on the financial performance are higher. 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. When the direct and full impact of a risk on the result to be achieved can be assigned to ICT, ICT will of course assume this responsibility. ICT can bear this responsibility, as it has management with the right breadth and depth of competencies and business and IT knowledge. To ensure continuity in the event of claims, ICT has a general and professional liability insurance.

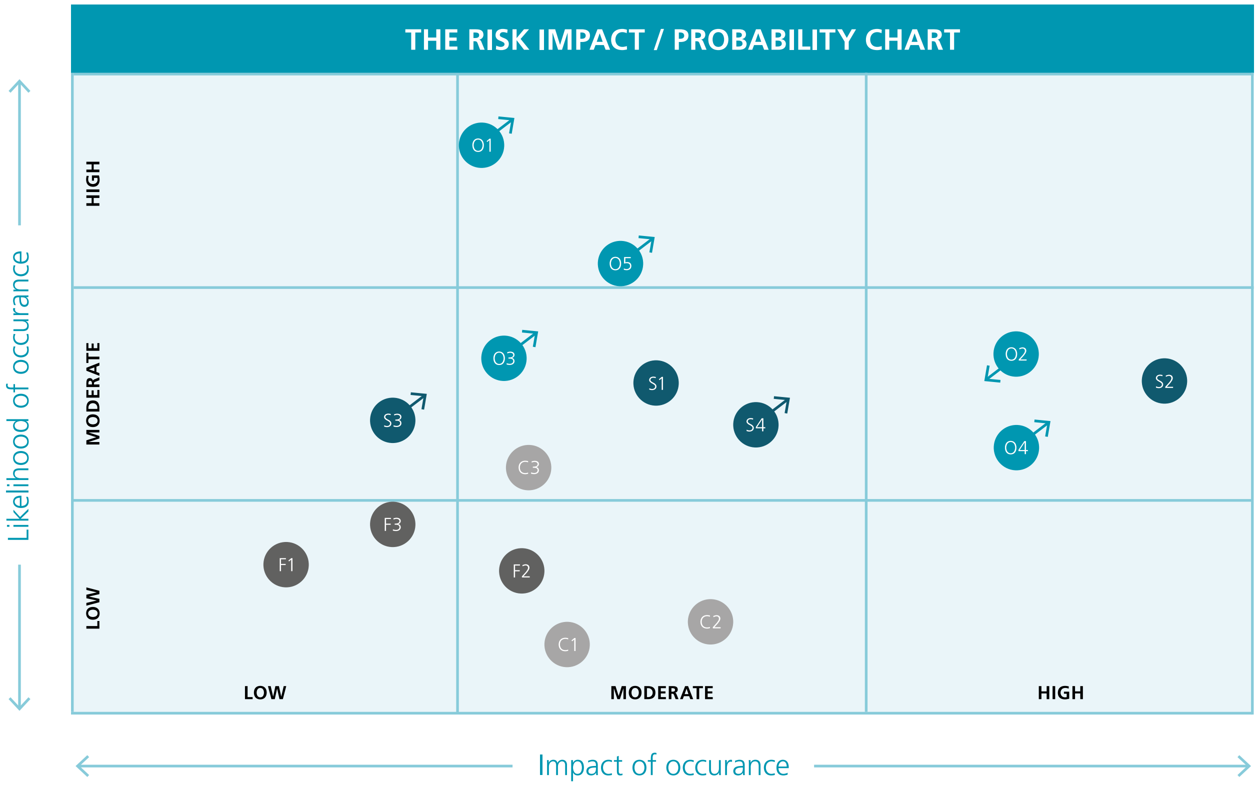
Labour market scarcity: a number of competencies are scarce. The ability to attract and retain the right people is a key driver of growth. ICT strives to be an attractive employer that invests in its people and encourages entrepreneurship. ICT continuously develops and implements initiatives to reinforce 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.

Inadequate funding: ICT Group combines its strong organic development with growth through acquisitions. In 2016, ICT Group extended its acquisition credit facility with Rabobank to € 11 million from € 6 million.

Additionally, ICT increased its working capital credit facility to € 10 million from € 6 million. The conditions of the facilities remained unchanged. As per 31 December 2016, ICT Group had unused credit facilities totalling € 12 million (2015: € 12 million). At year-end 2016, ICT Group was operating well within the ratios stipulated by its banks. The company assesses on a quarterly basis whether it is still in compliance with the terms of its bank covenants.

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

### Impact and trends risks in 2016




**Strategic risks**

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

**Financial risks**

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

↗ ↙ **Shows movement in comparison with 2015**

**Operational risks**

O1: Shortage of qualified staff
O2: Dependence on large clients
O3: Inadequate project control
O4: Unsuccessful integration of acquisitions
O5: New business models

**Compliance risks**

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

## 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<br>• Develop appropriate solutions as effectively and efficiently as possible<br>• Make clear choices regarding strategic positioning<br>• Spread activities across different markets, mix between different themes<br>• Continuous monitoring of sales funnel and horizon | *Low to Moderate* |
| S2 | *Speed of technological developments* | • Alert response to changes affecting clients and markets<br>• Invest in new technologies, products and people<br>• Continuous training and education of professional staff<br>• Partnerships to stay at the forefront of technological developments | *Moderate* |
| S3 | *Multi-dimensional relationships* | • Limit the exposure to 1.5% of annual revenue<br>• Periodic monitoring of the mix and exposure to multi-dimensional relationships<br>• Regular reviews with management of associated companies | *Low to Moderate* |
| S4 | *New business development, including collaboration with start-ups* | • Disciplined approach with start-ups<br>• 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<br>• Enable entrepreneurship and initiatives<br>• Create a sufficiently challenging environment<br>• Invest in relationships with schools and universities | *Low* |
| O2 | *Dependence on large clients* | • Broaden the client base, invest in sales<br>• Offer more added value to increase clients' dependency on ICT | *Moderate* |
| O3 | *Inadequate project and assignment control* | • Continuous improvement of internal quality and control systems<br>• Qualified management with adequate competencies and business and IT knowledge<br>• Continuous training and education of project staff | *Low to Moderate* |
| O4 | *Unsuccessful integration of acquisitions or joint ventures* | • Prudent decision-making process in acquisition phase<br>• Disciplined and standardised integration process, including connectivity to ICT's enterprise systems<br>• A welcome programme for new colleagues | *Moderate* |

| | | | |
|---|---|---|---|
| O5 | *New business models / license selling, software as a service* | • Close involvement of legal department and external legal advice where needed<br>• Apply lean start-up methodology with frequent reviews and interventions | *Low to Moderate* |
| | **Financial risks** | | |
| F1 | *Reporting risks* | • Internal procedures and guidelines for internal and external reporting (Internal Control Framework)<br>• External audit and supervision by the Audit Committee<br>• Implementation of a consolidation tool<br>• Internal letter of representation process in place | *Low* |
| F2 | *Inadequate funding* | • Ensure adequate financing facilities, both for acquisitions and working capital<br>• Operate well within the covenants agreed with the banks | *Low* |
| F3 | *Credit risk* | • New customers are analysed individually for creditworthiness, including external ratings<br>• Global credit insurance for all group companies | *Low* |
| | **Compliance risks** | | |
| C1 | *Failure to comply with laws and legislation* | • Continuous monitoring of laws and regulations<br>• 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<br>• Corporate governance system<br>• Appropriate levels of delegation of authority to sign policy<br>• Segregation of duties in main business processes | *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<br>• Appropriate general and professional liability insurance | *Low* |

## Executive Board's in control statement

Based on the evaluations carried out, the Executive Board concludes that the risk management system, as well as the control of the business processes and the internal controls within ICT, are sufficiently professional and appropriate. The Executive Board is of the opinion that the risk management system with its controls and measurements offers a sufficient degree of certainty regarding the reliability of the financial information and the management information generated by this system and is in accordance with the relevant laws and regulations.

## ORGANISATION AND PERSONNEL

### ICT's People
ICT's success is highly dependent on the people working within the company. It is the people that make the difference at our customers. The ability to attract and retain the right people is a key driver of growth. ICT is an attractive employer that invests in its people and encourages entrepreneurship. ICT continuously develops and implements initiatives to reinforce this strategy. ICT's HR development strategy is aimed at helping our people to bring out the best in themselves. The key goal of this strategy is to create an environment in which our people can discover their passion and their strengths. With this knowledge, we can define goals and help our employees to reach these goals. Making people proud of themselves and of the company they work for.

### Employer branding
ICT is firmly convinced of the importance of having an appealing and recognisable profile as an employer. ICT's core values are instrumental in this, as they embody ICT's identity as an employer. This well-defined identity makes clear what ICT has to offer its (future) employees. Entrepreneurship, freedom to act, passion for customers, expertise, innovation and, of course, technological challenges are all part of the ICT identity.

### Hiring
ICT's strategy is clearly aimed at growth and moving up in the value chain. This makes our ability to attract new people vital for the company's future. In the past year, ICT successfully hired more than 150 new ICT colleagues. Of the new people ICT attracted last year, around 40% were young professionals, around 40% were medior level professionals and around 20% were more experienced seniors.

ICT's online presence played a key role in this success. Last year, we launched a new branding campaign aimed at potential new employees. On top of this, a series of short films, animations and photographs of various interesting ICT projects, spread through the ICT website and our YouTube channel, clearly helped us to reach our target group. ICT works with several high schools to create more awareness and appetite for technical education. We also cooperate with various universities. As part of this cooperation, ICT offers a number of interesting assignments for graduates, as we see this as a useful way to attract the best students for jobs at ICT once they graduate. As in recent years, our latest new hires once again included a large number of different nationalities. ICT is keenly aware of the added value the diversity offered by these different nationalities gives us. A diverse workforce offers different ways of approaching challenges and provides new insights for both the company and its customers.

The total number of employees in FTE's at year-end 2016 was 919, 20% higher than at year-end 2015. This was due to acquisitions and increased recruitment efforts. The 12% attrition rate was at an acceptable level, given the "battle for talent". But we will be devoting even more attention to talent retention in the future. Based on the insights and experience we have gained from exit interviews with former colleagues, ICT has identified a number of ways it can improve and add value as an excellent place to work. Based on this experience, we have launched a special retention programme.

### Learning and development

#### Professional Leadership programme
In this fast changing world, it is important for everyone to be able to adapt to continuous changes. We therefore see it as very important that ICT employees are equipped for these changes and adaptations. ICT challenges its people to perform to the very best of their ability and seize the opportunities ICT has to offer. We encourage our employees to develop talents and skills in a Professional Leadership programme. Progress on 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 invests a great deal in technical trainings for our professionals. For us to stay at the forefront in our industry, our employees need to be fully up to date on the latest technologies and tools. ICT also aims to promote the exchange of technical knowledge between employees and teams and to develop cross-functional skills by organising interdisciplinary workshops.

These development programmes help employees to shape and build their careers. Employees can develop in terms of technical skills, in other words to specialise further, but we also give them the opportunity to develop their skills for management roles. Our aim is that our leadership development programme supplies around 70% of all management positions.

#### ICT Academy
As ICT regards training as one of the most important drivers of its success, the company has set up its own ICT Academy. Employees are trained by our own professionals or by selected trainers or institutions. To fully support the need for learning, in addition to traditional classroom training facilities, ICT also

offers online training facilities. There are more than 100 online training courses available, for instance on technical skills but also on leadership and a wide range of free downloadable books. And last but not least, ICT offers several "learning on the job" training programmes. All employees have a personal training budget, for training, books and development kits. We have developed and operate our academy in close collaboration with our specialised training unit, Improve Quality Services B.V.

### Vitality

As a result of our prevention programme, the absenteeism rate at ICT was low at 2% in 2016. This was lower than the average absenteeism rate of around 3% in the countries in which we operate. Maximum vitality is essential to deliver the best possible performance on a day to day basis. This is why ICT has a prevention programme in place; managers and the HR department work together to help employees by 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.

### Diversity

ICT employs people from all over the world, covering some 23 different nationalities. They join us from all the continents in the world, from countries ranging from China to neighbouring Germany. 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. ICT is keen to increase the proportion of female employees. We are making a concerted effort to increase the number of female students in technical studies, which should ultimately be reflected in a more balanced proportion of male/female professionals in this field. It is worth noting that the growth in the number of female professionals is particularly marked among our new international colleagues.

## HOW DO YOU MANAGE RADIATION THERAPY WORKFLOWS?

**Smart data system at Massachusetts General Hospital**
Radiation therapy is a relatively small specialism, but it produces a huge amount of data. Dr Hanne Kooy, medical physicist at Massachusetts General Hospital (MGH) in Boston, was looking for a customised and affordable system to translate these data into efficient and smooth-running workflows. ICT Group had the technical and medical know-how to come up with the right solution.

**The challenge**
At MGH, radiation therapy patients come back every day for 30 days and receive different treatments from different specialists, including chemotherapy and surgery. This produces new data every single time, and this data then has to be recorded and updated so doctors can measure the progress of the treatment. The challenge is to make that data transparent and easy to access, so those doctors can provide their patients with better, more focused and more personal care. Not exchanging via phone calls and e-mails with the various specialists, but by automating this process.

**The solution**
ICT defined a number of stages, adding the obligation to prove the validity of each step along the way. The first stage was monitoring all the data. The next stage was to make smart connections, so specialists are able to draw conclusions from the various systems that send information to the database of MGH's own system. This system acts as a kind of checklist to tick off the various treatments. It enables the specialists to make decisions automatically; eventually it will also be possible to send 'instructions' to the medical equipment automatically. Ultimately, patients will have their medical data on their smartphone or tablet and the hospital will no longer have to look anything up. The result: improved workflows, more efficient use of expensive equipment and faster and improved care for patients.

**JAN-WILLEM DOOSJE**
Business Unit Manager Healthcare

## HOW DO YOU DEAL EFFICIENTLY WITH HUGE FLUCTUATIONS IN THE MAIL AND PARCEL DELIVERY MARKET?

**Changing postal market**
PostNL is constantly confronted with major changes in its market. Mail volumes are falling dramatically as more and more services are becoming digital. On top of this, mail processing sees huge peaks, such as in the Christmas period when PostNL has to process more than a 100 million Christmas cards. All of these changes have forced PostNL to develop a flexible and scalable IT platform on a pay-per-use basis.

**The challenge**
PostNL's existing IT environment did not provide this flexibility or scalability, which meant that new developments took too much time. Nor was the platform geared to business peaks (Christmas and the like), making it both inflexible and expensive. The challenge for ICT was to create a flexible, state-of-the-art, cost-efficient IT environment. A platform equipped to quickly adopt new services (agile development) and a platform that makes it possible for PostNL to scale up and scale down automatically.

**The solution**
The combination of the Azure Public Cloud with SAPs SAAS services and SalesForce turned out to be the best solution, thanks to the scalability, flexibility and pay-per-use option. PostNL asked us to take care of the cloud architecture, the migration of the applications and the management of a significant part of the landscape. The end result was that we helped PostNL to reduce management costs. And the company no longer has to worry about a number of standard processes. This Public Cloud migration tightened our partnership with PostNL even further. We worked closely and proactively with PostNL during the development of the business case and we now have operational responsibility for a large part of their IT landscape. In other words, we made the shift from supplier to a proactive Cloud partner.

**AART WEGINK**
Sales Director ICT Group

### Engagement initiatives

#### Embedding the entrepreneurial spirit
In 2016, ICT completed the change of its organisational structure from verticals into business units to better align the organisation with ICT's business approach. This also boosted ICT's culture, as entrepreneurship has now been more deeply rooted in the business units.

#### Council of 20
In 2015, ICT installed 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 the millennials.

#### Equity Participation Plan for employees
Another element in our engagement drive is ICT's Equity Participation Plan for employees, as this 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. Once per calendar year, 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. ICT employees were able to participate in this programme for the first time in 2015. More than 20 % of the employees eligible to join have already participated in the plan.

### Employee survey
In 2016 we conducted an employee satisfaction survey. We saw improvements compared to the outcome of the 2014 survey. We had a high response rate of almost 80%. We have recorded improvements across the board on all topics, ranging from working atmosphere and team spirit to remuneration. Remarkable improvements were seen in the job enjoyment, using your talent and appreciation fronts. The survey also revealed that there are still areas that offer room for improvement. ICT uses this valuable input to increase its attractiveness as an employer.

## CHALLENGE US FOR A SUSTAINABLE WORLD

### Introduction

Corporate Social Responsibility lies at the core of the ICT business model. With our Smarter solutions we aim to make the world a bit smarter, which is always explicitly or implicitly linked to sustainability. Sustainability is embedded in our Code of Conduct where we state: "Sustainability is a natural part of our organization. ICT wishes to work with integrity and transparency towards all its stakeholders, including shareholders, customers, local communities and its employees."

Sustainability is not a fixed concept. It is dynamic and therefore we continuously challenge ourselves to improve every day. We challenge ourselves by benchmarking our sustainability program with (peer) research and global trends, and by actively engaging with our stakeholders. Our stakeholders, customers, employees, governments, NGO's, suppliers, partners and investors, fuel our ambition and insights to further enhance our sustainability program. This means that sustainability is an ongoing process, not an end in itself.

Together with our stakeholders ICT defined four main sustainability areas as being material (meeting the GRI-4 standards) to our business.

1. Ecological; reduce our carbon footprint by, among others, making use of our sustainable innovations.
2. Social; create a working environment that increases the well-being of our employees as well as a solid platform for our contribution to the society.
3. Technology; we use our technological skills to create more sustainable innovations for our customers.
4. Economic; ICT generates sustainable profit.

### Ecological

In 2012 ICT started several Carbon reduction projects in terms of energy consumption, housing and mobility. By the end of 2015 all our offices are making use of green energy. All new offices have to meet nowadays emission standards, being label A at the minimum. This was the case with our new offices in Eindhoven and Groningen and will continue with the move from low labelled offices in Oosterhout and Gorinchem to a label A office in Oosterhout early 2017. Existing offices will be upgraded to meet those standards as much as possible.

Our biggest challenge is reducing our footprint in mobility. In order to achieve that ICT participated, as a test, in the Low Car Diet program of Urgenda to get acquainted with possibilities to reduce $CO_2$ emissions and to strengthen the consciousness on this subject among our employees. During this two month test the $CO_2$ emission was reduced with a promising 48%. This project learned us that the $CO_2$ emission reduction should be achieved by less driven km's per employee, maximizing the use of green km's, like public transport, e-bikes, and by using lease cars with a lower $CO_2$ emission. The $CO_2$ emission reduction in 2016 is achieved by reducing the $CO_2$ norm of new lease cars and by promoting electrical vehicles. It is our aim, that in 10 years from now we only drive zero-emission lease cars.

ICT launched an electric lease pilot program to promote the lease of zero-emission cars. As we are replacing every year approximately 20% of our fleet, we aim to replace every year 5% of our fleet with full electric vehicles. In addition, in 2017 we start a pilot with Smart Mobility for Employees. We urge employees to travel less and make use of modern communication technologies. And when travelling we promote the use of public transport, electrical vehicles, e-bikes and carpooling. Based on the announced programs it is our objective to reduce emission per employee by 2% year on year. This target has not yet been met in 2016.

While these programs are all aimed at reducing our own $CO_2$ emission, we also work on projects to help our customers and/ or their customers to reduce emissions. We aim to participate in at least three projects a year that contribute to this. In 2016 we contributed to the following projects:

#### Community Flex BZO

A project on energy awareness in the SME-sector (Small and Medium-sized Enterprises). A community of SME's in Groningen will locally balance electricity demand and supply, using the flexibility in production processes, heating, cooling and EV charging to match the (local) availability of sustainable energy. Goal of the project is to validate the business case for demand response in the SME-sector. ICT will deploy its Smart Energy Service Platform to create access to all devices and processes, to collect data that will form the basis for a control strategy, and to provide feedback to the community.

#### ICT energy community

In 2014 ICT started with an energy community with its own employees. This community is used as testbed for new customer propositions and services. Also data is collected through this community. All participants have an app to monitor their own energy generation and consumption. The ICT energy community serves as a blueprint for so-called ESCo services. In 2016 the ICT energy community was extended with peer-to-peer supply, which already has led to commercial spin-off. A second community will soon be opened for external relations.

### Energiekoplopers Heerhugowaard

The project "Energiekoplopers Heerhugowaard" is a smart energy neighbourhood of approximately 200 households in which energy use within the neighbourhood is optimised. The households have innovative equipment enabling flexibility in the energy supply and demand. The whole project is based on the Universal Smart Energy Framework (USEF). Heerhugowaard is therefore the first pilot applying the USEF reference implementation. The consortium consists of Alliander, Essent, IBM, ICT, NRG031 and the Municipality of Heerhugowaard.

ICT is responsible for the IT infrastructure. ICT's SESP platform provides the basis for the IT solution, ensuring access to the smart meters and equipment in the homes, data collection and storage, and residents' feedback through portals and apps.

## Social

ICT is about technology, but our people are the real value drivers of ICT. ICT therefore strives to create a healthy working environment where people feel safe and engaged and where they can develop themselves. One of the metrics to measure this is illness. ICT strives to have an illness percentage of 2% below the national average. In 2016 the average was 3%, while ICT reported an illness percentage of 2% (2015: 2%)

Employee satisfaction with regard to the working environment is also a focus point. The company has again conducted an employee survey in 2016 to measure employee satisfaction on a number of items. The objective for employee satisfaction related to the working environment is set on a score of 7.5 on a scale from 1(poor)-10 (excellent). With an overall score of 7.4 the score was marginally under par. However, substantial improvement was realized compared to the previous survey (with a score of 6.6 on employee satisfaction on working environment). Continuous efforts will be put in further optimizing the working environment. Sustainable employability is the third objective. Lifelong learning, a wider range of training, and stimulating our professionals to develop themselves resulted in an increase in training. In 2016 25% more trainings where followed by our employees. The use of the training platform of our company Improve Qualities BV also contributed to this.

The fourth objective is diversity. ICT believes diversity is important for employees and the business. Diversity in age, gender and culture are important to get new insights and new network relations. Although the average age of our employees decreased, we have an all-time high in jubilees. In our industry, the participation of women is traditionally low, among other due to the low number of female graduates with a technical background. We do our utmost to improve this.

## Technology

Innovation is one of the main drivers of ICT's business model, and also the area in which ICT can make the highest sustainability impact. ICT made a commitment that each new solution should have a positive sustainability impact.

ICT has a clear focus on three themes, in which sustainability is deeply embedded;

1) Smarter Cities – Technologies to enhance the quality and performance of urban services and at the same time reducing costs and resource consumption, thereby contributing to lower $CO_2$ emissions.
2) Smarter Industries – Intelligent manufacturing technologies both embedded as well as process automation, supporting the digital transformation and the further robotisation of the industry, thereby enhancing efficiency and effectiveness.
3) Smarter Health – Software solutions to enhance exchange of data in the healthcare sector enabling synoptic reporting and faster diagnosis. Next to contributing to people's health in general, ICT's smarter Health solutions contribute to lowering Healthcare costs and to optimizing the use of medical facilities.

In developing the Smarter Solutions, ICT believes that co-creation is an important contributor. Creative workshops are regularly organized to share knowledge with employees and with customers and partners.

ICT is part of a number of innovative sustainable energy initiatives, including the Universal Smart Energy Framework (USEF). USEF delivers the market model for the trading and commoditization of energy flexibility, and the architecture, tools and rules to make it work effectively. ICT is one of the founding partners of the USEF Foundation. Last year we have set-up the Aggregator Work stream to find out how the Aggregator - as market party that bundles and trades flexibility - should be encompassed in the energy market organization. Their results were published during the European Utility Week in Barcelona.

### Promoting innovation

Our long-term success depends on our ability to innovate and respond to the changing demands from the market and the society. 1.5% of revenues is invested in R&D, in technology that has a sustainability impact. Next year we will start a "Dragons' Den" program to stimulate our employees to think about innovation in relation to these projects and to review these investments on sustainability.

## Economic

ICTs strategy is aimed at achieving added value, thereby safeguarding the continuity of the business. Healthy annual earnings growth per share, by organic turnover growth or growth through acquisitions. Achieving strong positions in the three main themes the company focuses on, Smarter Cities, Smarter Industries and Smarter Health, also contribute to this growth. Objectives are continually measured and, where necessary, adjusted.

## HOW DO YOU MAKE MACHINE CONTROL FUTURE PROOF?

**The Machine Control Platform by ICT**
In the Machine Control market there is a growing need for reliability and flexibility at the lowest possible cost. Manufacturers want their machine control system to be future proof when it comes to adding new features, like a colour touch screen or remote maintenance. The Machine Control Platform (MCP) developed by ICT meets all these needs.

**The challenge**
In the age of smart industry, machines are becoming more complex, more connected, more precise and faster than ever. This development requires a machine controller that can handle all of these requirements, and that is flexible enough to adapt to future market developments. However, it's not easy to build such a system using standard market components.

**The solution**
This is why ICT develops Machine Specific Controllers, based on our own Machine Control Platform (MCP). This is a flexible solution that offers client-specific machine control at the lowest possible cost. MCP is available on an Embedded and Linux-based platform that can also include a Soft-PLC. This offers advanced interface possibilities and numerous connectivity options, compliant to open industrial standards. This means it is easy to future proof the platform.

A great benefit for our clients is that ICT supplies the complete application, so both the hardware and the software. Every Machine Controller is developed and tested by our own engineers. They have the know how and experience to meet any and all requirements the client may have. Moreover, we also have full control over the production process and we test each product before it is shipped. This means we can guarantee a reliable product that meets ISO standards.

**ARJAN KLEIBOER**
Business Development Manager Machine & Systems ICT Group

**MAKING CITIES SMARTER**


50°51'31.0"N 5°42'47.0"E PROJECT AVENUE2

## CHALLENGE

*How do you get all the installations in the Netherlands' first double-decker tunnel to work in unison?*

# 'LUXUS' TUNNEL GIVES MAASTRICHT REGION MUCH-NEEDED IMPULSE

The end of last year saw the opening in Maastricht of the first ever double-decker tunnel in the Netherlands. But how do you make sure that more than 50 tunnel and traffic-related technical systems work together without a hitch? Paul de Haas from Avenue2 and ICT Group's Hans van Engelen and Wibo Tienstra tell us how it was done.

The opening of the 'A2 tunnel' on 16 December 2016 was never going to lack for attention. Obviously partly because this was the first ever double-decker tunnel in the Netherlands: the motorway (A2) traffic drives through the two lower tunnels, while local traffic (N2) passes through the upper two tunnels. "Germans call this type of tunnel a 'luxus' tunnel and highly experienced tunnel country Switzerland followed our project with a great deal of interest. But there was also a lot of international interest due to the potential for the above-ground redesign of the Maastricht-East district," says Paul de Haas from Avenue2, the construction consortium of Strukton and Ballast Nedam that the Ministry of Waterways and Public Works commissioned to build the tunnel.

### More than 50 technical installations

The technical installation operates as one unified system, but consists of more than 50 different traffic and tunnel-related sub-installations that ensure that the traffic flows can navigate the tunnel quickly and safely. These systems include the likes of lighting, the SOS/MTM traffic system to monitor traffic and – in the event of a calamity – the cameras and barriers.

Combining the more than 50 different sub-installations into one smoothly operating system was one of Avenue2's biggest challenges. De Haas: "The numerous different installations also involve many different types of hardware and software. All of these had to be integrated in one reliable system."

### Quality a key priority

Avenue2 designed the software for all the installations. ICT Group and Nozhup (also part of ICT Group since September 2016) made an essential contribution to the project by providing specialists in a wide range of fields as the project progressed. "Both companies have the expertise and capacity this project needed," De Haas says, explaining the consortium's decision to work with the two companies. Given the high demands on the reliability of the software, quality was a major priority for Avenue2. This approach was of course a perfect match for that of ICT Group and Nozhup. "First of all, I wrote a software plan on the basis of the architecture drawn up by the Avenue2 software architects," says Hans van Engelen. "We then joined forces with the Avenue2 team in Maarssen to develop and test the software outlined in that plan. Then the test team in Maastricht led by Wibo Tienstra tested the software on location."

### Team result

Due to the sheer scale of the project and the range of hardware and software suppliers, this project required a lot of different specialists. "It was quite a challenge to find those people," says Wibo Tienstra. He and Hans van Engelen devoted a lot of time to simply forging the 'newcomers' into a unified team. Van Engelen: "Of course we wanted to make sure all our people knew the project and the processes inside out, but we also wanted them to feel responsible for results and for them to think in terms of how to solve any problems along the way."

**WIBO TIENSTRA**
Senior Consultant, ICT Group

**HANS VAN ENGELEN**
Project Manager, ICT Group (Nozhup)

**PAUL DE HAAS**
Managing Director, Strukton

## Smoothly operating system

The ‘investment’ in quality and people certainly paid off: “The controlled production process resulted in a smoothly operating system. We have not seen any unexpected issues since the tunnel was taken into operation,” says De Haas. ICT Group has now completed its work on the tunnel systems. A team from Strukton will now maintain the systems for the next seven years, with ICT Group acting as a help desk for the operating system.

“The tunnel marks the beginning of a project to improve the living environment and the traffic flows in the Maastricht region,” concludes Avenue2’s De Haas. “This will result in a sharp reduction in air and noise pollution, and improve the accessibility of both the city and the region. And once the urban development and infrastructural improvements are completed in 10 years or so, Maastricht-East will be cleaner, greener and more accessible. I’m proud of the fact that together with ICT Group and many other suppliers we were able to make our contribution to these improvements.”

# MAKING HEALTHCARE SMARTER


## CHALLENGE

*How do you improve the monitoring of high-risk pregnancies, and make it less expensive?*

# PREGNANCY MONITORING: HOME IS WHERE THE HEART IS

Monitoring the pregnancies of women with health issues is vital to prevent child mortality. But this form of healthcare is also very expensive. Telenatal and BMA, ICT Group's IT healthcare specialist, have developed a way to improve monitoring and make it less expensive.

Pregnant women suffering from obesity, high blood pressure or other medical conditions have to make regular hospital visits for check-ups on the health of both mother and baby. At the hospital, medical staff use a cardiotocograph (CTG) to measure the heartbeat of the foetus and any signs of contractions in the mother-to-be. This CTG reading may be reason to admit the mother to the hospital, so this kind of monitoring helps to prevent maternal and infant mortality.

### Home monitoring

The trip to the hospital and arranging for someone to take care of the other children can themselves be very stressful for the mother, which in turn increase the risk of complications. To prevent that, hospitals are switching to home monitoring as often as they can. These check-ups – referred to as tele-monitoring – can also be carried out by primary carers such as midwives and specially trained nurses.

BMA, ICT Group's supplier of obstetrics-related software products and services, and Telenatal already offer home-monitoring solutions. Specialised nurses visit pregnant women at home to carry out CTG scans using mobile CTG units. They then use a laptop to upload the information to the hospital's patient records. Thanks to this home-monitoring, mothers-to-be no longer have to travel to the hospital, reducing the stress for the patient, and the risk of complications.

### Sense4Baby

A new product that makes the home-monitoring of medical pregnancies both easier and less expensive was launched in 2013: Sense4Baby. This home-monitoring set consists of a handheld CTG device that registers foetal heartbeats and contractions, plus a smartphone or tablet, which can be used to send the data to the hospital's patient records via the cloud. Thanks to Sense4Baby, pregnant mothers can do their own monitoring, without any help from a nurse or midwife. Specialists at the hospital can check the readings via a web portal. The CTG readings can also be added to the patient records in the hospital system via a separate interface. This could be in the Mosos system of BMA.

### Total solution

The Sense4Baby product was developed in the US and brought to the Netherlands by Telenatal founders Marco van Elst and Chris Kerkhof. However, the product was far from being a total solution for hospitals. "For instance, Sense4Baby had to fit into the overall healthcare process and comply with privacy legislation," Van Elst explains. "Because this was a completely new territory for us, we looked around for a company that could help us and that turned out to be BMA. They know the hospital healthcare sector like the back of their hand, are deeply involved in obstetrics and have a lot of experience with CTG monitoring; their Mosos CTG is the standard in the Netherlands." Alex Holsbergen: "Telenatal worked closely with BMA on the further integration of the hardware and software to create a total solution they could offer hospitals. The far-reaching collaboration between BMA and Sense4Baby eventually led to the recent foundation of a new entity: BMA Telenatal BV."

### Business case

But the development of the total solution was far from the biggest challenge; that turned out to be selling the Sense4Baby to hospitals. Marco van Elst: "It took a lot longer than we thought it would to convince hospitals

**ALEX HOLSBERGEN**
Managing Director, BMA

**MARCO VAN ELST**
Business unit manager

that the Sense4Baby was the right product. That was partly due to the fact that the medical world tends to go for proven technology rather than innovations, as they know proven technology works. It also took quite a while to demonstrate the Sense4Baby business case for hospitals; we had to convince them that the investment in Sense4Baby would pay off. The fact that in many hospitals obstetrics actually costs more money than it brings in makes this even more urgent."

### Demo hospital

"In the end we had to set up a demo hospital to convince the hospitals. We managed to do that in 2014, thanks to BMA's contacts. We knew that the University Medical Centre (UMC) Utrecht was interested, so we got together to discuss the potential of Sense4Baby. We were very open with each other: they provided us with a lot of information on the cost and income side, while we were very honest about our cost price and margins. And it was on that basis that UMC Utrecht chose to work with Sense4Baby."

### Roll-out

UMC Utrecht is now happily using Sense4Baby and did indeed prove to be an outstanding practical business case for Sense4Baby. Sense4Baby now has multi-year contracts with 10 hospitals and 40 midwifery practices in the Netherlands. "The experiences of both the hospitals and the mothers have been very positive," says Van Elst. And now there is interest in Sense4Baby outside the Netherlands. "That is a market with enormous potential. Obviously because of the sheer scale of the market, but also because healthcare is private in a lot of countries. And because hospitals charge on the costs of the Sense4Baby device to their patients, there is an even clearer business case for our product."

# MAKING INDUSTRIES SMARTER


## CHALLENGE

*How do you safely lift a gigantic offshore platform with a ship in a single move?*

# RASTER DEVELOPS AN EXTRA SAFETY SHIELD FOR PIONEERING SPIRIT

The Pioneering Spirit is the world's largest offshore construction ship, built specifically to lift and remove large offshore platforms in a single move. But how can you ensure the safety of that lift under all kinds of conditions? That was the challenge facing Raster, a company that specialises in industrial process automation, which has been a part of ICT Group since 2015.

**REITSE VAN DER WEKKEN**
Assistant Project Manager, Allseas

### Single lift

The Pioneering Spirit is unique. With a total surface equivalent to six football pitches, the offshore ship is the largest of its kind in the world. The lifting system of 16 lifting beams with a lift capacity of 3,000 tonnes each gives the Pioneering Spirit the ability to lift an offshore platform of up to 48,000 tonnes in a single move. This means the vessel provides a more efficient, more environment-friendly and safer alternative for the installation and removal of offshore platforms. These platforms are currently dismantled section by section, with the component parts taken ashore for further disassembly. The Pioneering Spirit can also be deployed to lay record-weight oil and gas pipelines.

### Move with the waves

Offshore company Allseas, the owner of the Pioneering Spirit, commissioned the ship specifically for the installation and decommissioning of platforms on choppy seas, like the North Sea. The ship responds to wave movements with the aid of a highly inventive motion compensation system. The 16 lifting beams of the Topsides Lift System (TLS) can each move freely across the deck, so they can compensate by moving as the vessel moves. This enables the ship to lift platforms in a stable and controlled manner.

### Overall Safety System

In order to limit the risk of accidents and damage to the ship or platforms, Raster devoted a great deal of attention to the operational safety of the TLS. That safety is guaranteed through the use of various Layers of Protection. All 16 lifting beams have their own redundant control and safety systems. And as an extra layer of protection, the vessel has an Overall Safety System (OSS) that monitors the safety of all 16 beams and intervenes in emergency situations. This OSS was developed and implemented by Raster, a company that specialises in industrial process automation and which has been part of ICT Group since 2015.

### Specialist in process safety

Allseas hired Raster because of its expertise in the field of process safety in the oil and gas industry and in heavy lifting. "Raster was already involved in the specifications for the Jacket Lift System, which takes platform legs on its back so to speak," says Reitse van der Wekken of Allseas. "The fact that we could take the build a step further with Raster was a deciding factor for us. Raster's short lines of communication and the organisation's flexibility also played a part in our choosing the company."

**CLAUDIA VAN BATENBURG**
Technical Account Manager, Raster

**ETHEL VAN GROENESTIJN**
Director, Raster

### Large ship, large challenges

Raster initially helped Allseas to convince the market of the advantages of the control and safety design of the Topsides Lift System. Allseas subsequently awarded Raster the contract for the implementation of the OSS, to strengthen this design. The huge size of the Pioneering Spirit created considerable challenges for Raster.

"The systems are all duplicated, with back-up systems in the various locations on the ship. This took us to the boundaries of both the hardware and software systems," says Raster technical account manager Claudia van Batenburg. "To give you some idea: we normally have to deal with a number of control and safety systems. In this instance, we are talking about 34 of those and the largest of their kind! We have pushed that to the very limit."

### Smart solutions

The software development for the OSS also took Raster's ingenuity to the max, van Batenburg says. "All the beams use the identical safety and control software code. So it wasn't possible to distinguish one from another, even though that is necessary. After all, if the OSS has to intervene on a beam, it has to know which one it is communicating with. We solved this while also maintaining the generic beam programming." How? "In a smart way," van Batenburg laughs. "Without disclosing any technical secrets, it boils down to building the identification at a different level in the architecture, while still applying the Safety protocol."

### Lifting record

On 22 August 2016, the Pioneering Spirit removed the 13,500-tonne offshore platform Yme, owned by oil company Repsol, in the Norwegian part of the North Sea. In doing so, Allseas set a new lifting record in the offshore industry. "The TLS worked to everyone's satisfaction and has now largely proven itself," Van der Wekken at Allseas concludes. "We have since made a number of improvements, both necessary and potential, during the second test campaign on a self-built test platform in the North Sea. We can now execute future projects even more safely and in a manner even more tailored to the customer's requirements."

The cooperation between Allseas and Raster can certainly be considered special, according to both parties. Raster director Ethel van Groenestijn: "There was a high level of mutual respect and trust. This is obvious from the fact that Allseas adopted all our recommendations on safety measures. We are very proud of that."

# CORPORATE GOVERNANCE

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 the NYSE 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 in line with Dutch law and the Dutch Corporate Governance Code 2008. 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 2008. Relevant substantial changes in the company's corporate governance structure and in the company's compliance with the Dutch Corporate Governance Code 2008, 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/).

On 8 December 2016, a new Corporate Governance Code was published. The Corporate Governance Code 2016 is effective 1 January 2017. The company will report on compliance with the new Code in its Annual Report 2017.

## 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. According to the Articles of Association, the Executive Board must consist of at least one member. As of 21 May 2014, the Executive Board consisted of the following two members: Jos Blejie, Chief Executive Officer, and Jan Willem Wienbelt, Chief Financial Officer. In accordance with the company's objectives and Dutch law, the Executive Board manages the company, taking into account all parties involved in the company and its related businesses. 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. Major decisions of the Executive Board require the approval of the Supervisory Board. The Executive Board is obliged to perform its duties in accordance with the Rules for the Executive Board, which have been placed on the company's website.

### Terms of 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 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. 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.

### Conflicts of interests

Dutch legislation on conflicts of interests, effective 1 January 2013, provides that a member of the Executive Board may not participate in the adoption of resolutions if he or she has a direct or indirect personal conflict of interest with the company or related enterprise. If all members of the Executive Board have a conflict, the resolution concerned will be adopted by the Supervisory Board. Relevant matters relating to conflicts of interests, if any, shall be mentioned in the Annual Report for the financial year in question. There were no such conflicts of interest in the financial year 2016.

### Remuneration of the Executive Board

The remuneration of the members of the Executive Board is determined by the Supervisory Board on the proposal of the Remuneration and Appointments Committee. Said committee closely follows the trends related to the remuneration of members of the Executive Boards of similar organisations. The remuneration must be consistent with the remuneration policy as adopted by the General Meeting of Shareholders. The current remuneration policy applicable to the Executive Board was adopted by the General Meeting of Shareholders in 2012 and is published on the company's website. In 2017, the Supervisory Board intends to propose an adjustment of the remuneration policy to the Annual Meeting of Shareholders.

Further insight into the remuneration of the members of the Executive Board is included in the Supervisory Board report. Pursuant to Dutch law, the remuneration of the members of the Executive Board and the Supervisory

Board must be included as a separate agenda item in the convening notice for a general meeting of shareholders and must be dealt with before the meeting can proceed to consider and adopt the financial statements.

The members of the Executive Board are employed by means of a management contract in accordance with Dutch law. In anticipation of the implementation of new legislation (Wet DBA), the fixed part of the remuneration based on the so-called intercompany transfer salary scheme (doorbetaaldloonregeling) has been reviewed with and approved by the tax authorities.

### Balanced allocation of seats in the Executive Board and Supervisory Board

The company currently does not have a balanced allocation of seats among men and women on the Executive and Supervisory boards. Although the company aims to realise such a balanced allocation, the interests of the company and its subsidiaries and the demonstrated capacity and experience of the candidates for the positions in these organs have been and will be decisive in the selection of candidates. When vacancies arise, the aim of achieving a gender balanced Board composition will again be an important consideration.

## 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 supervision by the Supervisory Board, acting in the interests of the company and its associated companies, and taking into account the relevant interests of the company's stakeholders, also includes (a) the achievement of the company objectives, (b) the company's general strategy and the risks associated with the company's activities, (c) the set-up and operation of internal risk management and related control systems, (d) the financial reporting processes, (e) compliance with legislation and regulations, (f) the company-shareholders relationship and (g) corporate social responsibility. 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. In its report, the Supervisory Board describes the composition and functioning of the Supervisory Board and its committees, the activities of the Supervisory Board and its committees in the financial year, the number of committee meetings and the main items discussed. The Supervisory Board has set up two separate committees: the Remuneration and Appointments Committee and the Audit Committee. The Supervisory Board as a whole is responsible for the supervisory tasks.

### The Supervisory Board Rules of Procedure

The Supervisory Board's Rules of Procedure are set forth its own governance rules (including meetings, items to be discussed, resolutions, appointment and re-election, committees, conflicts of interests, trading in securities and the profile of the Supervisory Board). The Supervisory Board has adopted a profile which is published on the company's website. The composition of the Supervisory Board is in line with this profile. The Supervisory Board's Rules of Procedure are published on the company's website. The rules include the charters of its committees, to which the plenary Supervisory Board, while retaining overall responsibility, has assigned certain tasks: the Remuneration & Appointments Committee and the Audit Committee. Each committee reports on and submits minutes of its meetings to the Supervisory Board.

### Terms of appointment

The members of the Supervisory Board are appointed by the General Meeting of Shareholders for fixed terms of four years upon a recommendation from the Supervisory Board. The recommendation is drawn up by the Supervisory Board once the General Meeting of Shareholders and the Works Council have been notified of the vacancy in question and have been given the opportunity to recommend individuals for nomination. The Supervisory Board's recommendation may be overruled by an absolute majority of votes cast, representing at least one-third of the subscribed share 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 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. There is no age limit applicable and members may be re-elected for a maximum of three four-year terms in compliance with the Corporate Governance Code.

The individual members of the Supervisory Board can only be dismissed by the Enterprise Chamber of the Amsterdam Court of Appeal. In addition, the entire Supervisory Board shall resign in the event the General Meeting of Shareholders adopts a motion of no confidence against the Supervisory Board.

The Supervisory Board is assisted by the Company Secretary. The Company Secretary shall 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 shall, 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.

Under the Dutch Corporate Governance Code, no member of the Supervisory Board shall hold more than five supervisory board memberships at 'large' companies or foundations as defined under Dutch law, the chairmanship of a supervisory board counting as two regular memberships. During the financial year 2016, all members of the Supervisory Board complied with the limitations on Supervisory Board memberships described above.

### Conflicts of interest

Dutch legislation on conflicts of interests, effective from 1 January 2013, provides that a member of the Supervisory Board may not participate in the adoption of resolutions if he or she has a direct or indirect personal conflict of interest with the company or related enterprise. If all members of the Supervisory Board have a conflict, the resolution concerned will be adopted by the General Meeting of Shareholders. Any relevant matters relating to conflicts of interests shall be mentioned in the Annual Report for the financial year in question. No decisions to enter into material transactions in which there are conflicts of interest with members of the Supervisory Board were taken during the financial year 2016.

ICT declares that stipulations II.3.2 to II.3.4 and III.6.1 to III.6.3 of the Code (conflicts of interest) have been observed. All transactions of the company and the natural persons and legal entities holding at least 10% of the company shares were conducted under the sector's usual conditions. Decisions to effect transactions with these persons that are of material significance to the company and/or to these persons require the approval of the Supervisory Board. These transactions are published in the annual report.

### Meetings of the Supervisory Board

The Supervisory Board meets at least four times per year, including a meeting on strategy. The Supervisory Board, on the advice of its Audit Committee, also discusses at least once a year the main risks of the business, plus the result of the assessment of the structure and operation of the internal risk management and control systems, as well as any significant changes to same. In addition to these matters, the Supervisory Board, being responsible for the quality of its own performance, discusses, at least once a year, in the absence of the members of the Executive Board, (i) both its own functioning and that of the individual members, and the conclusions that must be drawn on the basis thereof, as well as (ii) both the functioning of the Executive Board and that of the individual members, and the conclusions that must be drawn on the basis thereof. The members of the Executive Board have regular contacts with the members of the Supervisory Board. The Executive Board is required to keep the Supervisory Board informed of all facts and developments related to the company that the Supervisory Board may need to function as required and to properly carry out its duties, to consult it on important matters and to submit certain important decisions to it for its prior approval.

The Supervisory Board and its individual members each have their own responsibility to request from the Executive Board and the external auditor all information that the Supervisory Board needs to be able to carry out its duties properly as a supervisory body. If the Supervisory Board considers it necessary, it may obtain information from officers and external advisers of the company. The company provides the necessary means for this purpose. The Supervisory Board may also require that certain officers and external advisers attend its meetings.

### The Chairman of the Supervisory Board

The Supervisory Board's Chairman will see to it that: (a) the members of the Supervisory Board follow their introductory programme, (b) the members of the Supervisory Board receive in good time all information which is necessary for the proper performance of their duties, (c) there is sufficient time for consultation and decision-making by the Supervisory Board, (d) the committees of the Supervisory Board function properly, (e) the performance of the Executive Board members and Supervisory Board members is assessed at least once a year, and (f) the Supervisory Board elects a Vice-Chairman. The Vice-Chairman of the Supervisory Board shall deputise for the Chairman when the occasion arises. The Vice-Chairman shall act as the contact for individual members of the Supervisory Board or the Executive Board with regard to the functioning of the Chairman of the Supervisory Board.

## GENERAL MEETING OF SHAREHOLDERS

An Annual General Meeting of Shareholders is held once a year to discuss the annual report, including the report of the Executive Board, the financial statements with explanatory notes thereto and additional information required by law, and the Supervisory Board report, any proposal related to dividends or other distributions, the appointment of members of the Executive Board and Supervisory Board (if any), important management decisions as required by Dutch law, and any other matters proposed by the Supervisory Board, the Executive Board or shareholders, in accordance with the provisions of the company's Articles of Association. The annual report, the financial statements and other regulated information, such as defined in the Dutch Act on Financial Supervision (Wet op het financieel toezicht), will be published solely in English. As a separate agenda item and in accordance with Dutch law, the Annual General Meeting of Shareholders discusses the discharge of the members of the Executive Board and of the Supervisory Board for the performance of their respective duties in the preceding financial year. However, this discharge only covers matters that are known to the company and the General Meeting of Shareholders when the resolution is adopted. The Annual General Meeting of Shareholders is held in Barendrecht, Rotterdam or Amsterdam no later than six months after 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.

### Main powers of the General Meeting of Shareholders

All outstanding shares carry voting rights. The main powers of the General Meeting of Shareholders are to appoint the members of the Supervisory Board, to adopt the financial statements, to determine the profit appropriation, to discuss the reserves and the dividend policy and to discharge the members of the Executive Board for their management and the Supervisory Board for their supervision during the past financial year, to adopt the remuneration policy for the Executive Board, to adopt the remuneration of the members of the Supervisory Board, to pass a motion of no confidence in the Supervisory Board, to appoint the external auditor as required by Dutch law, to adopt amendments to the Articles of Association and proposals to dissolve or liquidate the company, to issue shares or rights to shares, to restrict or exclude pre-emptive rights of shareholders and to repurchase or withdraw or reduce the value of shares.

In compliance with Dutch law, decisions of the Executive Board that are so far-reaching that they would greatly change the identity or nature of the company or the business require the approval of the General Meeting of Shareholders. This includes resolutions to (a) transfer the business of the company, or almost the entire business of the company, to a third party, (b) enter into or discontinue long-term cooperation by the company or a subsidiary with another legal entity or company or as a fully liable partner in a limited partnership or ordinary partnership, if this cooperation or its discontinuation is of material significance to the company, or (c) acquire or dispose of a participating interest in the capital of a company to the value of at least one-third of the amount of the assets according to the balance sheet and notes thereto or, if the company prepares a consolidated balance sheet, according to the consolidated balance sheet and notes thereto as published in the last adopted financial statements of the company, by the company or one of its subsidiaries.

### Repurchase and issue of (rights to) treasury shares

The Annual General Meeting of Shareholders on 11 May 2016 resolved to authorise the Executive Board, subject to approval of the Supervisory Board, to acquire fully paid-up 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 11 May 2016. 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 accruing to shareholders for 18 months as of 11 May 2016. This authorisation is limited to a maximum of 10% of the number of shares issued as of 11 May 2016, plus 10% of the issued capital in connection with or on the occasion of mergers, acquisitions or strategic alliances.

### 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 allow the Executive Board and the Supervisory Board to issue (rights to) preference shares to a third party, the Stichting Continuïteit ICT. The objective of the Stichting is to safeguard the interests of the company and its business and all stakeholders. In the event of a hostile takeover attempt, the Stichting can call in the preference shares from the company under the option agreement entered into between the company and the Stichting. The Stichting may subscribe for a number of preference shares equal to the number of outstanding ordinary shares in the company. In the event of a hostile takeover bid, the issuance of preference shares will enable the Executive Board to decide upon its position vis-à-vis the bidder, consider the bidder's plans, examine alternatives, and thus further safeguard the interests of the company and its stakeholders. The Stichting has an independent board. The current members of the board of the Stichting are Mr. H.R. Okkens, Mr. J.C.M. Schönfeld, Mr. P.F. Plaizier and Mr. R. ter Haar.

### Overview of corporate governance provisions

ICT complies with the provisions of the Dutch Corporate Governance Code 2008, apart from those listed below. The entire text of the Code is available at www.commissiecorporategovernance.nl.

### Best practice provision II.2.5

This stipulation provides that shares granted to members of the Executive Board without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The remuneration policy of ICT provides that under certain circumstances shares may be allotted to members of the Executive Board, which must be held for at least three years or at least until the end of employment. Thus the lock-up period will never be longer than the period of employment.

### Principle III.5

Principle III.5 of the Code Corporate Governance stipulates that in the event that the Supervisory Board consists of at least five members, three committees should be installed: the Audit Committee, the Remuneration Committee and the Appointments Committee. Since the Supervisory Board of ICT only consists of four members, this obligation is not applicable to ICT. However, the Supervisory Board has installed two committees on a voluntary basis: the Audit Committee and the Remuneration and Appointments Committee.

### Best practice provision III.6.5

There is no regulation covering private investments by members of the Supervisory Board or members of the Executive Board. Members of these boards are already subject to general legislation and regulations and monitoring private investments is considered to be unnecessarily bureaucratic.

### Best practice provision IV.3.1

This stipulation provides for webcasting analysts' meetings, presentations and press conferences for all shareholders. ICT communicates information relevant to shareholders in press releases and adds presentations to its website (https://ict.eu/about-us/investor-relations/). Given the relatively high costs of webcasts, ICT will not be taking action to make this possible in the foreseeable future.

### Corporate governance statement

This is a corporate governance statement, as referred to in article 2a in conjunction with articles 3 through 3b of the Decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag). The information required can be found in this chapter dedicated to Corporate Governance and elsewhere in this annual report. The sections in question should be regarded as inserted and repeated here. Specifically, reference is made to certain sections that have not been included in this chapter, such as:

- composition of the Executive Board and Supervisory Board: see 'Report of the Supervisory Board';
- the information required by virtue of article 10 of the Decree pertaining to the takeover guidelines: see this chapter and also page 119;
- the main features of internal risk management and control systems in connection with the group's financial reporting: see chapter 'Risk Management and Internal Control'.

ICT observes the best practice stipulations of the Dutch Corporate Governance Code 2008 with the deviations explained in this chapter.

# CONSOLIDATED FINANCIAL STATEMENTS 2016

- Consolidated balance sheet
- Consolidated statement of total comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Notes to the consolidated financial statements

# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

(before proposed profit appropriation)

| (x € 1,000) | Note | 2016 | | 2015 | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant & equipment | 7 | 2,477 | | 1,341 | |
| Goodwill | 8 | 21,851 | | 14,893 | |
| Other intangible assets | 9 | 14,218 | | 6,888 | |
| Investment in joint ventures | 10 | 1,161 | | 1,234 | |
| Investment in associates | 11 | 1,655 | | 2,252 | |
| Deferred tax assets | 12 | 2,056 | | 4,138 | |
| Other financial assets | 13 | 436 | | - | |
| | | | 43,854 | | 30,746 |
| CURRENT ASSETS | | | | | |
| Trade and other receivables | 14 | 28,595 | | 20,694 | |
| Corporate income tax receivable | | 1,134 | | 94 | |
| Cash and cash equivalents | 15 | 5,567 | | 6,694 | |
| | | | 35,296 | | 27,482 |
| **TOTAL ASSETS** | | | 79,150 | | 58,228 |
| **Equity and liabilities** | | | | | |
| SHAREHOLDERS' EQUITY | 16 | | | | |
| Issued share capital | | 929 | | 875 | |
| Share premium | | 13,768 | | 8,411 | |
| Currency translation reserve | | 75 | | 97 | |
| Legal reserve | | 1,744 | | 1,392 | |
| Treasury shares | | - | | - | |
| Retained earnings | | 21,753 | | 21,171 | |
| Result for the year | | 5,006 | | 3,551 | |
| Attributable to shareholders of ICT Group N.V. | | 43,275 | | 35,497 | |
| Non-controlling interest | | 434 | | - | |
| | | | 43,709 | | 35,497 |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred tax liabilities | 12 | 3,414 | | 2,886 | |
| Share-based compensation liabilities | 17 | 414 | | 137 | |
| Loans (long-term) | 18 | 6,762 | | 2,280 | |
| Deferred acquisition consideration (long-term) | 20 | 3,132 | | - | |
| | | | 13,722 | | 5,303 |
| CURRENT LIABILITIES | 19 | | | | |
| Trade payables | | 3,008 | | 2,143 | |
| Corporate income tax payable | | 62 | | 859 | |
| Other taxes and social security premiums | | 6,618 | | 5,726 | |
| Loans (short-term) | 18 | 2,654 | | 760 | |
| Deferred acquisition consideration (short-term) | 20 | - | | 1,538 | |
| Bank overdrafts | 15 | 17 | | - | |
| Other current liabilities | | 9,360 | | 6,402 | |
| | | | 21,719 | | 17,428 |
| **TOTAL EQUITY AND LIABILITIES** | | | 79,150 | | 58,228 |

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

| (x € 1,000) | Note | **2016** | 2015 |
|---|---|---|---|
| **Continuing operations** | | | |
| Net revenue | 22 | **89,729** | **71,787** |
| | | | |
| Cost of Materials and subcontractors | | 10,354 | 6,240 |
| Employee benefit expenses | 23 | 52,014 | 43,454 |
| Depreciation and amortisation | 7,9 | 2,924 | 1,824 |
| Other operating expenses | 28 | 17,065 | 14,951 |
| Total operating expenses | | 82,357 | 66,469 |
| | | | |
| **Operating profit** | | **7,372** | **5,318** |
| | | | |
| Financial expenses | 29 | (538) | (338) |
| Financial income | 29 | 6 | 23 |
| Result from joint ventures | 10 | 221 | 296 |
| Result from associates | 11 | (1,044) | (609) |
| **Result before taxes from continuing operations** | | 6,017 | 4,690 |
| | | | |
| Income tax (expense) profit | 30 | (1,705) | (1,139) |
| | | | |
| **Net profit from continuing operations** | | **4,312** | **3,551** |
| | | | |
| **Discontinued operations** | | | |
| **Net profit after taxes from discontinued operations** | 21 | 810 | - |
| | | | |
| **Net profit** | | **5,122** | **3,551** |
| | | | |
| Other comprehensive income (loss), net of tax | | (22) | 28 |
| **Total comprehensive income** | | **5,100** | **3,579** |
| | | | |
| **Net profit attributable to:** | | | |
| - Shareholders of ICT Group N.V. | | **5,006** | **3,551** |
| - Non-controlling interests | | 116 | - |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| - Shareholders of ICT Group N.V. | | **4,984** | **3,579** |
| - Non-controlling interests | | 116 | - |
| | | | |
| **Earnings per share:** | | | |
| *From continuing and discontinued operations* | | | |
| Basic earnings per share (in €) | | 0.56 | 0.41 |
| Diluted earnings per share (in €) | | 0.56 | 0.41 |
| | | | |
| *From continuing operations* | | | |
| Basic earnings per share (in €) | | 0.47 | 0.41 |
| Diluted earnings per share (in €) | | 0.47 | 0.41 |

There are no non-recyclable other comprehensive income items.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (x € 1,000) | Issued share capital | Share premium | Issued option reserve | Currency translation reserve | Legal reserve | Treasury shares | Retained earnings | Profit (loss) for the year | Total | Non-controlling interest | Total equity |
| **1 January 2015** | **875** | **8,411** | **13** | **69** | **1,174** | **-** | **18,365** | **4,934** | **33,841** | **132** | **33,973** |
| Net profit | - | - | - | - | - | - | - | 3,551 | 3,551 | - | 3,551 |
| Other comprehensive income | - | - | - | 28 | - | - | - | - | 28 | - | 28 |
| Total comprehensive income | - | - | - | 28 | - | - | - | 3,551 | 3,579 | - | 3,579 |
| Dividends paid | - | - | - | - | - | - | (2,012) | - | (2,012) | (22) | (2,034) |
| Acquisition of subsidiaries | - | - | - | - | - | - | 110 | - | 110 | (110) | - |
| Exercised options | - | - | (13) | - | - | - | (20) | - | (33) | - | (33) |
| Purchase of treasury shares | - | - | - | - | - | (1,760) | - | - | (1,760) | - | (1,760) |
| Sale of treasury shares | - | - | - | - | - | 1,772 | - | - | 1,772 | - | 1,772 |
| Transfers | - | - | - | - | 218 | (12) | (206) | - | - | - | - |
| Prior year result allocation | - | - | - | - | - | - | 4,934 | (4,934) | - | - | - |
| **31 December 2015** | **875** | **8,411** | **-** | **97** | **1,392** | **-** | **21,171** | **3,551** | **35,497** | **-** | **35,497** |
| | | | | | | | | | | | |
| **1 January 2016** | **875** | **8,411** | **-** | **97** | **1,392** | **-** | **21,171** | **3,551** | **35,497** | **-** | **35,497** |
| Net profit | - | - | - | - | - | - | - | 5,006 | 5,006 | 116 | 5,122 |
| Other comprehensive income | - | - | - | (22) | - | - | - | - | (22) | - | (22) |
| Total comprehensive income | - | - | - | (22) | - | - | - | 5,006 | 4,984 | 116 | 5,100 |
| Dividends paid | - | - | - | - | - | - | (2,123) | - | (2,123) | (143) | (2,266) |
| Acquisition of subsidiaries | - | - | - | - | - | - | (461) | - | (461) | 461 | - |
| Purchase of treasury shares | - | - | - | - | - | (310) | - | - | (310) | - | (310) |
| Sale of treasury shares | - | - | - | - | - | 277 | - | - | 277 | - | 277 |
| Issuance of new shares | 54 | 5,357 | - | - | - | - | - | - | 5,411 | - | 5,411 |
| Transfers | - | - | - | - | 352 | 33 | (385) | - | - | - | - |
| Prior year result allocation | - | - | - | - | - | - | 3,551 | (3,551) | - | - | - |
| **31 December 2016** | **929** | **13,768** | **-** | **75** | **1,744** | **-** | **21,753** | **5,006** | **43,275** | **434** | **43,709** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**According to the direct method**

| (x € 1,000) | 2016 | | 2015 | |
|---|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | 106,197 | | 87,122 | |
| Payments to suppliers and employees | (98,680) | | (80,265) | |
| | | 7,517 | | 6,857 |
| Interest paid | (328) | | (128) | |
| Income tax paid | (2,131) | | (762) | |
| | | (2,459) | | (890) |
| Net cash flow from continuing operating activities | | 5,058 | | 5,967 |
| Net cash flow from discontinued operating activities | | - | | 155 |
| **Net cash flow from operating activities** | | **5,058** | | **6,122** |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | |
| Additions to property, plant and equipment | (1,138) | | (438) | |
| Additions to software and product development | (405) | | (115) | |
| Additions to other intangible assets | - | | (17) | |
| Acquisition of subsidiaries (net of cash acquired) | (6,291) | | (10,396) | |
| Acquisition of associates | - | | (1,055) | |
| Additions to other financial assets | (881) | | - | |
| Dividend received from joint venture | 294 | | 262 | |
| **Net cash flow from (investment) divestment activities** | | **(8,421)** | | **(11,759)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Purchase of treasury shares | (310) | | (1,760) | |
| Re-issuance of treasury shares | 277 | | 1,772 | |
| Proceeds of borrowings (external loans) | 6,107 | | 3,040 | |
| Payment of earn-out liabilities | (1,589) | | - | |
| Option rights exercised | - | | (33) | |
| Dividend paid to non-controlling interest | (143) | | (22) | |
| Dividend paid to shareholders of ICT Group N.V. | (2,123) | | (2,012) | |
| **Net cash flow from financing activities** | | **2,219** | | **985** |
| **Net cash flow** | | **(1,144)** | | **(4,652)** |
| Cash at bank and in hand (net) as at 31 December | 5,550 | | 6,694 | |
| Cash at bank and in hand (net) at 1 January | 6,694 | | 11,346 | |
| Decrease cash and cash equivalents | | **(1,144)** | | **(4,652)** |

# 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 statutory name change from ICT Automatisering N.V. to ICT Group N.V. was adopted at the AGM held 11 May 2016.

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

The consolidated financial statements of ICT Group N.V. for the year ended 31 December 2016 were authorised for issue by the Executive Board on 2 March 2017, were signed by the Executive Board and the Supervisory Board on 2 March 2017 and will be submitted for adoption to the General Meeting on 10 May 2017.

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. ICT is able to link people, technology and ideas. With over 950 dedicated professionals in the field, we are capable of translating new and innovative technologies into relevant business solutions, enriched with state-of-the-art technologies, and introduce these solutions into the heart of its customers' operations.

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 mainly active in Europe and the USA from several locations in the Netherlands and Bulgaria (Strypes). Through its participations and subsidiaries, ICT is also active in Traffic & Transport (joint venture with InTraffic), Oil & Gas (Raster), Healthcare (BMA), Testing and Training (Improve Quality Services), and Enterprise Mobility (ICT Mobile 51%).

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. [1] | Barendrecht (the Netherlands) | 100% |
| Improve Quality Services B.V. | Waalre (the Netherlands) | 100% |
| ICT Nearshoring B.V. | Eindhoven (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% |
| Raster BVBA | Dendermonde (Belgium) | 100% |
| Raster Industrielle Automatisierung GmbH | Essen (Germany) | 100% |
| Buro Medische Automatisering B.V. [2] | Houten (the Netherlands) | 51% |
| BMA Belux BVBA [2] | Bellegem (Belgium) | 51% |
| BMA France SAS [2] | Versailles (France) | 51% |
| BMA Telenatal B.V. [3] | Houten (the Netherlands) | 26% |
| Cheese Maze Holland B.V. [4] | Oosterhout (the Netherlands) | 100% |
| Nozhup B.V. [4] | Oosterhout (the Netherlands) | 100% |
| ICT Mobile B.V. [5] | Barendrecht (the Netherlands) | 51% |
| ICT Poland Sp. z o.o. (in liquidation) [6] | Gdansk (Poland) | 100% |
| ICT Software Engineering GmbH, Germany (liquidated 21-12-2016) [7] | Karlsruhe (Germany) | 100% |

1) In early 2016, a legal merger became effective for ICT Automatisering Nederland B.V. (surviving entity) and Rijnmond Distributie Services B.V. The legal merger had no financial impact on the consolidated financial statements of ICT.

2) ICT acquired 51% of the shares and voting interests in Buro Medische Automatisering B.V. ("BMA") and its subsidiaries (BMA Belux BVBA and BMA France SAS) as of 5 February 2016.

3) At the end of 2016 Buro Medische Automatisering B.V. incorporated BMA Telenatal B.V. and holds 51% of the shares. ICT Group N.V.'s effective shareholding in BMA Telenatal B.V. is 26.01%.

4) ICT acquired 100% of the shares in Cheese Maze Holland B.V. and its 100% subsidiary Nozhup B.V. as of 6 September 2016. In February 2017, ICT filed a legal merger request for ICT Automatisering Nederland B.V. (surviving entity) and Cheese Maze Holland B.V. and Nozhup B.V. The legal merger is expected to become effective by April 2017. The legal merger has no financial impact on the consolidated financial statements of ICT.

5) ICT Mobile B.V. was incorporated on 21 April 2016.

6) At the end of March 2016 ICT announced the closure of the ICT Poland operation effective 31 May 2016. Subsequently the company went into liquidation in September 2016 and final liquidation is expected in 2017.

7) Following the sale of the German activities in 2014, ICT started the liquidation of ICT Software Engineering GmbH. The liquidation was finalised as of 21 December 2016 and the company was deregistered from the German Trade Register.

### Joint ventures and associates

| | | |
|---|---|---|
| InTraffic B.V. | Utrecht (the Netherlands) | 50% |
| Strypes Nederland B.V. [8] | Leersum (the Netherlands) | 25% |
| LogicNets, Inc. | Washington D.C. (USA) | 20% |
| Greenflux Assets B.V. | Amsterdam (the Netherlands) | 24.49% |

8) Strypes Nederland B.V. is a participating interest of Strypes EOOD Ltd.

## 3. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES

### ACQUISITION OF BMA

On 5 February 2016, the Group acquired 51% of the shares and voting rights in Buro Medische Automatisering B.V. ("BMA"), a leading Dutch Healthcare company based in Houten, the Netherlands. BMA develops software products that are designed for electronic record-keeping and foetal monitoring, focusing on the optimisation of the working and decision-making processes in maternity wards. BMA distinguishes itself by offering all necessary software modules to produce paperless synoptic reporting.

#### Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

| (x € 1,000) | |
|---|---|
| Consideration transferred | 3,324 |
| Deferred / contingent acquisition consideration | 3,014 |
| Total consideration transferred | 6,338 |

#### Deferred acquisition consideration

The purchase consideration for 51% ("tranche 1") of the shares amounts to € 3,324 thousand in total and comprises a cash payment of € 2,533 thousand and an amount paid in (newly issued) ICT shares of € 791 thousand (97,707 shares). The purchase consideration for tranche 1 was paid in February 2016. The remaining 49% ("tranche 2") will be acquired after a period of three years. This consideration for the second tranche will be payable after a period of three years based on the realised average yearly normalised EBITDA during this period.
The amount of € 3,014 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 2016 under "other operating expenses" (note 28).

#### Identifiable assets acquired and liabilities assumed

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

| | Carrying amount | Fair value adjustments | Recognised values |
|---|---|---|---|
| Intangible assets: Software | 698 | 2,536 | 3,234 |
| Intangible assets: Distribution agreements | - | 1,216 | 1,216 |
| Intangible assets: Customer relationships | - | 457 | 457 |
| Property, plant and equipment | 54 | - | 54 |
| Cash and cash equivalents | 511 | - | 511 |
| Other current assets | 3,693 | 40 | 3,733 |
| Current liabilities | (4,046) | - | (4,046) |
| Deferred tax liabilities | - | (1,062) | (1,062) |
| Total identifiable net assets acquired | 910 | 3,187 | 4,097 |

### 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 | Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the software, distribution agreements and customer relations, by excluding any cash flows related to contributory assets. |

The trade receivables and revenue to be invoiced comprise gross contractual amounts due of € 3,501 thousand, all of which was considered collectible at the acquisition date.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

| (x € 1,000) | |
|---|---|
| Consideration transferred | 6,338 |
| Fair value of identifiable net assets | 4,097 |
| Goodwill | 2,241 |

The goodwill is primarily attributable to the experienced management team of BMA, the expected sales growth related to new software developments and potential for international growth. None of the goodwill recognised is expected to be deductible for tax purposes.

### Amortisation

Software, distribution agreements and customer relations have been identified and valued as a part of a Purchase Price Allocation exercise. Software has been valued at € 3,234 thousand to be amortised over a period of eight years as from the acquisition date. The step up to fair value amounts to € 2,536.
Distribution agreements have been valued at € 1,216 thousand to be amortised over a period of eight years as from the acquisition date. Customer relations have been valued at € 457 thousand to be amortised over a period of ten years as from the acquisition date. As a result the amortisation amounts to € 305 thousand in 2016 (€ 124 thousand on software, € 139 thousand on distribution agreements and € 42 thousand on customer relations). The amortisation is not expected to be tax deductible. The valuation analysis includes a deferred tax liability, which will be released during the amortisation period. The net effect on net result after deferred taxes amounts to € 229 thousand.

### Financial impact

The consolidated results 2016 include revenues amounting to € 4.5 million and earnings before interest and taxes amounting to € 0.4 million. Should BMA have been included for the full year 2016, revenues on a pro forma basis would have amounted to approximately € 4.9 million and earnings before interest and taxes to approximately € 0.5 million.

## ACQUISITION OF NOZHUP

On 6 September 2016, the Company acquired 100% of the shares and voting rights in Cheese Maze Holland B.V., which has one operating subsidiary, being Nozhup B.V., both located in Oosterhout the Netherlands.
Nozhup's primary focus is on industrial automation (machinery and chemicals) as well as governmental infrastructure.
With this acquisition, the Company has gained significant scale in its activities in the industrial automation market. At the same time, it considerably broadens ICT's customer base in this market.
The purchase consideration amounts to € 9,619 thousand in total and comprises a cash payment of € 5,000 thousand and an amount paid in (newly issued) ICT shares of € 4,619 thousand (443,058 shares).

### Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

| (x € 1,000) | |
|---|---|
| Consideration transferred in cash | 5,000 |
| Consideration transferred in ICT shares | 4,619 |
| Total consideration transferred | 9,619 |

### Acquisition-related costs

The Company incurred acquisition-related costs including legal fees and due diligence costs. These costs were included in 2016 under "other operating expenses" (note 28).

### Identifiable assets acquired and liabilities assumed

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

| | Carrying amount | Fair value adjustments | Recognised values |
|---|---|---|---|
| Intangible assets: Order backlog | - | 289 | 289 |
| Intangible assets: Customer relationships | - | 4,019 | 4,019 |
| Property, plant and equipment | 580 | - | 580 |
| Cash and cash equivalents | 719 | - | 719 |
| Other current assets | 2,423 | - | 2,423 |
| Current liabilities | (1,856) | - | (1,856) |
| Deferred tax liabilities | - | (1,077) | (1,077) |
| Total identifiable net assets acquired | 1,866 | 3,231 | 5,097 |

### 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 | Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships and the order backlog, by excluding any cash flows related to contributory assets. |

The trade receivables and revenue to be invoiced comprise gross contractual amounts due of € 2,112 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 leads to the identification of 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 | 9,619 |
| Fair value of identifiable net assets | 5,097 |
| Goodwill | 4,522 |

The goodwill is primarily attributable to the skills and technical talent of Nozhup's workforce and the synergies the Company expects to achieve from integrating Nozhup into the Company's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

### Amortisation

Order backlog and customer relations have been identified and valued as a part of a Purchase Price Allocation exercise. In 2016, the order backlog valued at € 289 thousand is fully amortised (one-off amortisation). Customer relations have been valued at € 4,019 thousand to be amortised over a period of 10 years as from the acquisition date. As a result, the total amortisation amounts to € 422 thousand in 2016 (€ 289 thousand one-off on backlog and € 133 thousand on customer relations). The amortisation is not expected to be tax deductible. The valuation analysis includes a deferred tax liability, which will be released during the amortisation period. The net effect on net result after deferred taxes amounts to € 317 thousand.

### Financial impact

The consolidated results 2016 include revenues amounting to € 3.5 million and earnings before interest and taxes amounting to € 1.0 million. Should Nozhup have been included for the full year 2016, revenues on a pro forma basis would have amounted to approximately € 9.5 million and earnings before interest and taxes to approximately € 1.8 million.

### OTHER ACQUISITIONS

In June 2016 ICT acquired the former Dynniq activities in water infrastructure. This has strengthened our position in infrastructural process automation, part of the Smarter Cities theme. Goodwill amounted to € 195 thousand.

## 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.

Effective 2016 it is no longer allowed to present the Company-only income statement in its condensed form. As at 31 December 2015 condensed presentation was still allowed in accordance with article 402, Book 2 of the Dutch Civil Code. Consequently, the Company-only income statement for 2016 and 2015 is presented in full.

### 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 2016.

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 2016. The adoption of these standards and interpretations did not have a material impact on the Company's financial performance or position.

### (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 2017, and have not been applied in the preparation of these consolidated financial statements. These relevant amendments pertain to:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRSs 2012–2015 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

ICT is currently investigating the impact of these revised standards.

With respect to IFRS 15, Revenue from Contracts with Customers, an impact assessment covering all group entities and their revenue streams has been started and contract reviews are currently being performed and we expect to provide further quantitative information with the release of the 2017 half year results.

### (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 2016 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform 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 disposed of 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 Groups' 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 Groups' 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 disposed of 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 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. 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 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 disposing of 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 disposed of 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 22 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 total comprehensive income. Foreign exchange gains and losses are presented in the consolidated statement of total 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 disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the statement of profit and loss.

## 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 total 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 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 total 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

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 total 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 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 total 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 values 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 cost as a result of the Purchase Price Allocation of acquired entities and are amortised over an anticipated life of five to 10 years 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 total 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 total 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

#### Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company only has 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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Any embedded derivatives (such as convertible options) are accounted for separately if the criteria in IAS 39.11 on bifurcation are met.

#### Recognition and measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Any bifurcated derivatives are 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

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 total 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 total comprehensive income.

### 4.12 TRADE AND OTHER RECEIVABLES

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

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

### 4.15 SHARE BASED PAYMENTS

**Option schemes (granted until 2010, last and final settlement in 2015)**
In 2015, the last option rights related to option schemes awarded up to 2010 were exercised. Consequently, at year-end 2016 there are no further outstanding options under this option scheme.

**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.

**Share 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 on 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 share 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 share 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 share participation plan.

### 4.16 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of total 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 realized 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.

### 4.17 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.

### 4.18 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.

### 4.19 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 total 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.

### 4.20 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.

### 4.21 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

Revenue is recognised in the accounting period in which the services are rendered.

When the outcome of a project can be estimated reliably and it is probable that the project will be profitable, project revenue is recognised over the period of the project in line with the stage of completion. The stage of completion is measured by reference to the project costs (primarily hours) incurred up to the end of the reporting period as a percentage of total estimated costs for each project. Costs incurred in the year in connection with future activity on a project are excluded from project costs in determining the stage of completion. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately.

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

On the balance sheet, the Company reports the net project position for each project as either an asset (under revenues to be invoiced) or a liability (under accruals and deferred income). A project represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a project represents a liability when the opposite is the case.

Applying the guidance in IAS 18.IE.20, licence fees are recognised in accordance with the substance of the agreement, unless standard contracting and terms and conditions are applied. This means that each individual agreement is assessed separately. The Company applies the following two main types of revenue recognition for licenses:

- When a licensee has the right to use certain technology over a specified period of time, revenue is recognised over the lifetime of the agreement.
- When a licensing agreement for the use of software is agreed where the licensor has no further obligations subsequent to delivery, revenue is recognised at the time of sale.

### 4.22 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.

### 4.23 DEPRECIATION AND AMORTISATION

Depreciation of property, plant and equipment and amortisation of intangible assets other than goodwill (software and licenses, customer relations, order backlog 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.

### 4.24 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.

### 4.25 DIVIDEND INCOME

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

### 4.26 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.

### 4.27 RESULT FROM JOINT VENTURES

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

### 4.28 RESULT FROM ASSOCIATES

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

### 4.29 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, received dividend and corporate income tax are included in the cash flows from operating activities. Paid dividends 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 estimate 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.

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's 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.

### c) Currency risk

The Company is not exposed to any significant currency risks. Virtually all transactions are conducted in Euro's 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 16% and 18% (2015: 16% and 18%) of the Company's annual revenues. 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.

In July 2016, in anticipation of the acquisition of Nozhup, ICT extended its credit facilities to € 22.5 million in total. The working capital credit facility (facility A) was increased from € 6 million to € 10 million and the acquisition credit facility (facility B) was increased from € 6 million to € 11 million. The guarantee facility of € 1.5 million and the conditions of the facilities remained unchanged from the previous agreement.

At year-end 2016, ICT had called on the acquisition facility (facility B), for the amount of € 9.2 million and called on the working capital credit facility for € 0.0 million. At year-end 2015, ICT had called on the acquisition facility (facility B) for the amount of € 3.0 million, while the working capital credit facility was unused.

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 2016 and as per 31 December 2016, 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 2016** | | |
|---|---|---|---|
| (x € 1,000) | Less than 3 months | 3 months to 1 year | 2-5 years |
| Trade payables | 3,008 | - | - |
| Corporate income tax payable | 62 | - | - |
| Other taxes and social security premiums | 6,618 | - | - |
| Deferred acquisition consideration * | - | - | 3,478 |
| Other current liabilities | - | 9,360 | - |
| Acquisition financing * | 758 | 2,084 | 6,974 |
| Bank overdrafts | 17 | - | - |
| Total | 10,463 | 11,444 | 10,452 |

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

| **Financial liabilities** | **31 December 2015** | | |
|---|---|---|---|
| (x € 1,000) | Less than 3 months | 3 months to 1 year | 2-5 years |
| Trade payables | 2,143 | - | - |
| Corporate income tax payable | 859 | - | - |
| Other taxes and social security premiums | 5,726 | - | - |
| Deferred acquisition consideration * | 1,589 | - | - |
| Other current liabilities | - | 6,402 | - |
| Acquisition financing * | 191 | 581 | 2,394 |
| Total | 10,508 | 6,983 | 2,394 |

* 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:

| (x € 1,000) | 2016 Computer equipment | 2016 Other tangible fixed assets | 2016 Total | 2015 Computer equipment | 2015 Other tangible fixed assets | 2015 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **1 January** | **1,570** | **1,128** | **2,698** | **1,287** | **1,033** | **2,320** |
| Arising on acquisition | 57 | 578 | 635 | 51 | 24 | 75 |
| Additions | 418 | 764 | 1,182 | 314 | 124 | 438 |
| Disposals | - | (47) | (47) | (82) | (53) | (135) |
| **31 December** | **2,045** | **2,423** | **4,468** | **1,570** | **1,128** | **2,698** |
| **Accumulated depreciation** | | | | | | |
| **1 January** | **(945)** | **(412)** | **(1,357)** | **(800)** | **(274)** | **(1,074)** |
| Depreciation | (285) | (349) | (634) | (227) | (191) | (418) |
| Disposals | - | - | - | 82 | 53 | 135 |
| **31 December** | **(1,230)** | **(761)** | **(1,991)** | **(945)** | **(412)** | **(1,357)** |
| **Net book value 1 January** | **625** | **716** | **1,341** | **487** | **759** | **1,246** |
| **Net book value 31 December** | **815** | **1,662** | **2,477** | **625** | **716** | **1,341** |

No leased items are included in property, plant and equipment. Residual values are considered to be zero. The carrying amount equals 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) | **2016** | 2015 |
|---|---|---|
| **At 1 January** | | |
| Cost | 20,973 | 16,961 |
| Accumulated impairment | (6,080) | (6,080) |
| Net book value | 14,893 | 10,881 |
| **Movement in cost** | | |
| Arising on acquisition | 6,958 | 4,012 |
| | 6,958 | 4,012 |
| **Impairment losses** | | |
| Impairment charges | - | - |
| | - | - |
| **At 31 December** | | |
| Cost | 27,931 | 20,973 |
| Accumulated impairment | (6,080) | (6,080) |
| Net book value | 21,851 | 14,893 |

The goodwill arising on acquisitions in 2016 pertains to € 2,241 thousand BMA, € 4,522 thousand Nozhup and € 195 thousand other.

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 22. The following CGUs have goodwill allocated as at 31 December 2016:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| ICT Netherlands (including Nozhup and Dynniq) | 13,409 | 8,692 |
| Strypes Bulgaria | 1,009 | 1,009 |
| Raster | 3,003 | 3,003 |
| Improve | 2,189 | 2,189 |
| BMA | 2,241 | - |
| Total | 21,851 | 14,893 |

### 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-year business and financial plan with 2016 as the first year. Cash flows beyond 2021 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 Netherlands | Strypes Bulgaria | Raster | Improve | BMA |
|---|---|---|---|---|---|
| WACC pre-tax: 2016 | 14.1% | 24.4% | 17.3% | 17.3% | 17.3% |
| WACC pre-tax: 2015 | 14.9% | 26.1% | 16.9% | 19.1% | n/a |
| WACC post tax: 2016 | 10.5% | 22.0% | 13.0% | 13.0% | 13.0% |
| WACC post tax: 2015 | 11.2% | 23.5% | 12.7% | 14.3% | n/a |
| **Management forecast period (5 years)** | | | | | |
| Revenue growth rate | 3.3% | 7.5% | 2.4% | 6.7% | 7.1% |
| EBIT margin improvement | -5.9% | -3.4% | 1.2% | 0.8% | 0.1% |
| **Extrapolated period** | | | | | |
| Growth rate 2016 | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Growth rate 2015 | 1.5% | 1.5% | 1.5% | 1.5% | n/a |

## Impairment analysis results

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

| (x € 1 million) | ICT Netherlands | Strypes Bulgaria | Raster | Improve | BMA |
|---|---|---|---|---|---|
| Carrying value | 25.9 | 5.1 | 6.6 | 2.2 | 5.6 |
| Value in use | 53.1 | 6.9 | 10.0 | 5.5 | 6.4 |
| Headroom | 27.2 | 1.8 | 3.4 | 3.2 | 0.8 |

The impairment analyses in 2016 and in 2015 did not result in an impairment.

## Sensitivity analysis

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

| Allowed percentage point change | ICT Netherlands | Strypes Bulgaria | Raster | Improve | BMA |
|---|---|---|---|---|---|
| **Management forecast period (5 years)** | | | | | |
| Revenue growth rate | -2.1% | -3.4% | -4.6% | -5.7% | -3.1% |
| EBIT margin deterioration (basis points) | -11.6% | -7.4% | -23.6% | -24.3% | -2.1% |
| Discount rate (WACC) | 10.0% | 6.5% | 6.0% | 15.9% | 1.7% |
| **Extrapolated period** | | | | | |
| Growth rate | -195.0% | -279.7% | -32.1% | *) | -4.4% |

*) The discounted cash flow in the forecast period already exceeds the carrying value. Therefore any percentage point change to the growth rate will not result in an impairment.

## 9. OTHER INTANGIBLE ASSETS

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

| (x € 1,000) | 2016 Software and licenses | 2016 Development costs | 2016 Customer relations | 2016 Order backlog | 2016 Other intangible assets | 2016 Total | 2015 Software and licenses | 2015 Development costs | 2015 Customer relations | 2015 Order backlog | 2015 Other intangible assets | 2015 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| **1 January** | 2,898 | 115 | 5,321 | 543 | 4 | 8,881 | 717 | - | - | - | - | 717 |
| Arising on acquisition | 3,234 | - | 4,476 | 289 | 1,216 | 9,215 | 2,168 | - | 5,321 | 543 | - | 8,032 |
| Additions | 322 | 87 | - | - | - | 409 | 13 | 115 | - | - | 4 | 132 |
| Disposals | - | - | - | - | (4) | (4) | - | - | - | - | - | - |
| **31 December** | 6,454 | 202 | 9,797 | 832 | 1,216 | 18,501 | 2,898 | 115 | 5,321 | 543 | 4 | 8,881 |
| **Accumulated amortisation** | | | | | | | | | | | | |
| **1 January** | (736) | - | (714) | (543) | - | (1,993) | (587) | - | - | - | - | (587) |
| Amortisation | (778) | - | (1,084) | (289) | (139) | (2,290) | (149) | - | (714) | (543) | - | (1,406) |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| **31 December** | (1,514) | - | (1,798) | (832) | (139) | (4,283) | (736) | - | (714) | (543) | - | (1,993) |
| **Net book value 1 January** | **2,162** | **115** | **4,607** | **-** | **4** | **6,888** | **130** | **-** | **-** | **-** | **-** | **130** |
| **Net book value 31 December** | **4,940** | **202** | **7,999** | **-** | **1,077** | **14,218** | **2,162** | **115** | **4,607** | **-** | **4** | **6,888** |

Additions to software and licenses include € 317 thousand of software development not ready for use at 31 December 2016. Other intangible assets pertain 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 asset | 8 years |
| Development costs | 5 years |

## 10. INVESTMENT IN JOINT VENTURES

ICT Group N.V. has a 50% interest in the joint venture InTraffic B.V. InTraffic B.V. is an entity in the Netherlands, set up in 2003 and is jointly-controlled by the Company and Movares Nederland B.V. InTraffic B.V. is an IT consultant and project coordinator providing services for public transport companies. The Company's interest in InTraffic B.V. is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the joint venture, based on financial information prepared in accordance with IFRS as adopted by the EU and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

| (x € 1,000) | 2016 | 2015 |
|---|---|---|
| Revenue | 15,976 | 14,950 |
| Net profit (loss) from continuing operations | 442 | 592 |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **442** | **592** |
| Share ICT of total comprehensive income | 221 | 296 |
| The above profit (loss) for the year includes the following: | | |
| Depreciation and amortisation | 211 | 234 |
| Interest income | - | - |
| Interest expense | (6) | (2) |
| Income tax expense (income) | 147 | 164 |
| Current assets | 4,553 | 4,587 |
| Non-current assets | 771 | 574 |
| Current liabilities | (3,003) | (2,693) |
| **Net assets** | **2,321** | **2,468** |
| The above amounts of assets and liabilities include the following: | | |
| Cash and cash equivalents | 2,058 | 883 |
| Current financial liabilities (excluding trade and other payables and provisions) | - | - |
| Non-current financial liabilities (excluding trade and other payables and provisions) | - | - |
| Dividends received from joint venture during the year | 294 | 261 |
| Group's interest in net assets at beginning of the year | 1,234 | 1,199 |
| Total comprehensive income attributable to the group | 221 | 296 |
| Dividends during the year | (294) | (261) |
| Group's Interest in net assets at end of the year | 1,161 | 1,234 |
| Goodwill | - | - |
| **Carrying amount of the investment at the end of year** | **1,161** | **1,234** |

There are no contingent liabilities relating to the Company's interest in the joint venture. The Company has no capital commitments related to its interest in the joint venture.

## 11. INVESTMENT IN ASSOCIATES

ICT Group N.V. has four associates: a 20% participation in LogicNets Inc., a 25% participation in Strypes Nederland B.V. through Strypes EOOD Ltd., a 24.49% participation in Greenflux Assets B.V. and 40% of the potential voting rights in CIS Solutions GmbH*.

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

| (x € 1,000) | 2016 LogicNets Inc. | 2016 Strypes Nederland B.V. | 2016 Greenflux Assets B.V. | 2016 CIS Solutions GmbH* | 2016 Total | 2015 LogicNets Inc. | 2015 Strypes Nederland B.V. | 2015 Greenflux Assets B.V. | 2015 CIS Solutions GmbH* | 2015 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January** | **1,099** | **554** | **599** | **-** | **2,252** | **1,747** | **-** | **-** | **-** | **1,747** |
| Acquisition | - | - | - | 452 | 452 | - | 486 | 600 | - | 1,086 |
| Share in the profit (loss) | (134) | 21 | (82) | (126) | (321) | (276) | 68 | (1) | - | (209) |
| Impairment | (450) | - | - | (273) | (723) | (400) | - | - | - | (400) |
| **Result from associates** | **(584)** | **21** | **(82)** | **(399)** | **(1,044)** | **(676)** | **68** | **(1)** | **-** | **(609)** |
| Currency translation | (5) | - | - | - | (5) | 28 | - | - | - | 28 |
| **As at 31 December** | **510** | **575** | **517** | **53** | **1,655** | **1,099** | **554** | **599** | **-** | **2,252** |

* Although the Group currently does not have a legal ownership, and potential voting rights are not currently exercisable, the Group has accounted for a share in the result of CIS, as the potential voting rights give in substance ICT Group access to the returns associated with an ownership interest, based on dividend clauses in the convertible bond agreement.

### LogicNets Inc.

The Company's interest in LogicNets Inc. is accounted for using the equity method in the consolidated financial statements. This pertains to a 20% interest in LogicNets Inc., established in the US in Washington and was acquired on 22 October 2014. The investment will be used to increase LogicNets' product development and deployment capacity. By means of this investment, ICT Group N.V. will expand its exclusive distribution rights for LogicNets Inc. to cover all of Western Europe. LogicNets Inc. and ICT's ongoing collaboration has led to the delivery of large-scale expert decision support applications to major healthcare, government, and industrial organisations. These include the Dutch National Pathology Registry, and the Dutch national railway system (ProRail).

The following table shows the summarised financial information based on financial information prepared in accordance with IFRS as adopted by the EU of the Company's investment in LogicNets Inc.:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Revenue | 2,091 | 905 |
| Net profit (loss) from continuing operations | (672) | (1,381) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(672)** | **(1,381)** |
| Attributable to ICT | (134) | (276) |
| Attributable to investee's other shareholder(s) | (538) | (1,105) |
| | **31-12-2016** | **31-12-2015** |
| Current assets | 900 | 927 |
| Non-current assets | 1 | 3 |
| Current liabilities | (1,238) | (574) |
| Non-current liabilities | (177) | (171) |
| **Net assets** | **(514)** | **185** |
| Attributable to ICT | (103) | 37 |
| Attributable to investee's other shareholder(s) | (411) | 148 |
| Group's interest in net assets at beginning of the year | 105 | 353 |
| Acquired | - | - |
| Currency translation adjustment | (5) | 28 |
| ICT's share in the profit (loss) | (134) | (276) |
| Dividends during the year | - | - |
| Group's Interest in net assets at end of the year | (34) | 105 |
| Goodwill | 994 | 1,394 |
| Impairment | (450) | (400) |
| Goodwill after impairment | 544 | 994 |
| **Carrying amount of the investment at the end of year** | **510** | **1,099** |

LogicNets performance improved significantly in 2016, revenues from the platform doubled and the loss halved in 2016 compared to 2015. The development of the platform into a standardized solution was completed, increasing the marketability of the software platform. LogicNets won a number of reputable new customers. Despite the improvements on all key parameters, LogicNets is still lagging behind its original ambitious plans. Therefore ICT decided to again impair its stake in LogicNets in the fourth quarter of 2016. The downward valuation of LogicNets, including our share in the loss amounted € 584 thousand (2015: € 676 thousand).

Although ICT firmly believes in the strategic importance of the platform, the delay in the roll-out of the platform resulted in the recognition of an impairment loss. The recoverable amount is € 0.5 million and is its value in use. The following discount rates were used in the current estimate of value in use: post-tax WACC: 27.2% (2015: 23.5%), terminal growth rate: 2% (2015: 1%).

Should future performance deviate from the assumptions used in the impairment calculations, this may impact the value in use.

There are no contingent liabilities related to the Company's interest in the associate. The Company has no capital commitments related to its interests in the associate.

## Strypes Nederland B.V.

The Company's interest in Strypes Nederland B.V. is accounted for using the equity method in the consolidated financial statements. This pertains to a 25% interest in Strypes Nederland B.V. established in the Netherlands, through Strypes EOOD Ltd, which was acquired on 6 January 2015 as part of the acquisition of Strypes Bulgaria.

| (x € 1,000) | 2016 | 2015 * |
|---|---|---|
| Revenue | 4,844 | 4,149 |
| Net profit (loss) from continuing operations | 82 | 271 |
| Other comprehensive income | - | - |
| **Total comprehensive income** | 82 | **271** |
| Attributable to ICT | 21 | 68 |
| Attributable to investee's other shareholder(s) | 62 | 203 |
| | **31-12-2016** | **31-12-2015** |
| Current assets | 1,658 | 1,559 |
| Non-current assets | 120 | 98 |
| Current liabilities | (1,091) | (785) |
| Non-current liabilities | (208) | (476) |
| **Net assets** | **479** | **396** |
| Attributable to ICT | 120 | 99 |
| Attributable to investee's other shareholder(s) | 359 | 297 |
| Group's interest in net assets at beginning of the year | 99 | - |
| Acquired | - | 31 |
| Currency translation adjustment | - | - |
| ICT's share in the profit (loss) | 21 | 68 |
| Dividends during the year | - | - |
| Group's Interest in net assets at end of the year | 120 | 99 |
| Goodwill | 455 | 455 |
| **Carrying amount of the investment at the end of year** | **575** | **554** |

* 2015: 6 January 2015 (date of acquisition) until 31 December 2015

There are no contingent liabilities related to the Company's interest in the associate. The Company has no capital commitments related to its interests in the associate.

## Greenflux Assets B.V.

The Company's interest in Greenflux Assets B.V. ("Greenflux") is accounted for using the equity method in the consolidated financial statements. This pertains to a 24.49% interest in Greenflux Assets B.V. established in the Netherlands and was acquired on 17 November 2015.

ICT Group N.V. (ICT) and the Brabantse Ontwikkelings Maatschappij (BOM) invest in GreenFlux Assets B.V., a charging point operator and services provider for electric vehicles. The investment will help GreenFlux Assets B.V. to strengthen its position in the fast-growing market for electric vehicles and give the company the opportunity to accelerate the introduction of innovative charging services. The cooperation with BOM and ICT creates a combination of expertise in electric transportation, the energy sector and innovative IT solutions.

| (x € 1,000) | 2016 | 2015 * |
|---|---|---|
| Revenue | 2,196 | 144 |
| Net profit (loss) from continuing operations | (334) | (5) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(334)** | **(5)** |
| Attributable to ICT | (82) | (1) |
| Attributable to investee's other shareholder(s) | (252) | (4) |
| | **31-12-2016** | **31-12-2015** |
| Current assets | 1,147 | 722 |
| Non-current assets | 1,791 | 1,223 |
| Current liabilities | (833) | (485) |
| Non-current liabilities | (1,117) | (438) |
| **Net assets** | **988** | **1,022** |
| Attributable to ICT | 242 | 250 |
| Attributable to investee's other shareholder(s) | 746 | 772 |
| Group's interest in net assets at beginning of the year | 251 | - |
| Acquired | - | 252 |
| Currency translation adjustment | - | - |
| ICT's share in the profit (loss) | (82) | (1) |
| Dividends during the year | - | - |
| Group's Interest in net assets at end of the year | 169 | 251 |
| Goodwill | 348 | 348 |
| **Carrying amount of the investment at the end of year** | **517** | **599** |

* 2015: 17 November 2015 (date of acquisition) until 31 December 2015

There are no contingent liabilities related to the Company's interest in the associate. In 2016, the Company provided Greenflux with convertible loans for the amount of € 150 thousand. As at 31 December 2016 the Company has the obligation to provide Greenflux with a convertible loan of max. € 250 thousand if certain conditions are met by Greenflux during 2017 (max. € 200 thousand) and 2018 (max. € 50 thousand). The convertible loan will be repayable in five years as from 31 December 2018. ICT will have the right to convert the loan into preference shares in the event of default or in the event of a change in ownership of Greenflux.

### CIS Solutions GmbH

ICT provided a start-up company, CIS Solutions GmbH ("CIS"), a solution selling agency for LogicNets and Internet of things solutions in Germany with 2 loans during 2016, a € 500 thousand convertible loan and a loan amounting to € 150 thousand.

The € 500 thousand convertible loan bears an interest of Euribor + 200 basis points. In accordance with the agreement the borrower will not repay the amount withdrawn but ultimately on 1 February 2019 provide ICT Group a 40% shareholding, in substance this qualifies as investment in associate under IFRS based on potential voting rights and other qualitative factors as included in the agreement. At year-end 2016 CIS had called on € 452 thousand.

Although the Group currently does not have a legal ownership, and potential voting rights are not currently exercisable, the Group has accounted for a share in the result of CIS, as the potential voting rights give in substance ICT Group access to the returns associated with an ownership interest, based on dividend clauses in the convertible bond agreement. As CIS is currently in a start-up phase, an impairment test on the loan balance outstanding was performed as well. The (negative) share in the result amounting to € 126 thousand and the impairment charge amounting to € 273 thousand are reported under Result from associates. The post-tax WACC used in the impairment calculation is 25%.

For the loan amounting to € 150 thousand, we refer to note 13.

## 12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes include carry-forward losses for Germany 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:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| (x € 1,000) | Deferred tax assets | Deferred tax liabilities | Total | Deferred tax assets | Deferred tax liabilities | Total |
| **Balance as at 1 January** | **4,138** | **(2,886)** | **1,252** | **4,129** | **(1,100)** | **3,029** |
| **Charged to the balance sheet:** | | | | | | |
| Intangible fixed assets - Software | - | (634) | (634) | - | (541) | (541) |
| Intangible fixed assets - Customer relations | - | (1,119) | (1,119) | - | (1,330) | (1,330) |
| Intangible fixed assets - Order backlog | - | (72) | (72) | - | (136) | (136) |
| Intangible fixed assets - Other intangibles | - | (303) | (303) | - | - | - |
| Investment in associates | - | - | - | - | (116) | (116) |
| Provisions | - | - | - | 9 | - | 9 |
| *Subtotal* | - | *(2,128)* | *(2,128)* | *9* | *(2,123)* | *(2,114)* |
| **Continuining operations** | | | | | | |
| **Gain / (loss) charged to the income statement:** | | | | | | |
| Intangible fixed assets - Software | - | 121 | 121 | - | 23 | 23 |
| Intangible fixed assets - Customer relations | - | 271 | 271 | - | 178 | 178 |
| Intangible fixed assets - Order backlog | - | 72 | 72 | - | 136 | 136 |
| Intangible fixed assets - Other intangibles | - | 35 | 35 | - | - | - |
| Other financial assets | - | - | - | - | - | - |
| Utilisation | (1,830) | - | (1,830) | - | - | - |
| Other | 38 | 1 | 39 | - | - | - |
| *Subtotal* | *(1,792)* | *500* | *(1,292)* | - | *337* | *337* |
| **Discontinued operations** | | | | | | |
| Discontinued operations | (290) | 1,100 | 810 | - | - | - |
| **Balance as at 31 December** | **2,056** | **(3,414)** | **(1,358)** | **4,138** | **(2,886)** | **1,252** |

**2016**

The net tax released to the income statement from discontinued operations (€ 810 thousand) relates to the final liquidation of ICT Software Engineering GmbH. For further details, see to note 21.

The increase of deferred tax liabilities in 2016 relates to the acquired intangible assets of BMA and Nozhup.

BMA:
Software, distribution agreements and customer relations have been identified and valued as a part of a Purchase Price Allocation exercise. Software has been valued for € 3,234 thousand to be amortised over a period of eight years as from acquisition date. Distribution agreements have been valued at € 1,216 thousand to be amortised over a period of eight years as from acquisition date. Customer relations have been valued at € 457 thousand to be amortised over a period of 10 years as from acquisition date. Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability, that will be released during the amortisation period. In 2016, the amortisation related to BMA amounted to € 305 thousand. The deferred taxes effect amounted to 25% or € 76 thousand.

Nozhup:
Order backlog and customer relations have been identified and valued as part of a Purchase Price Allocation exercise. Customer relations have been valued at € 4,019 thousand and is to be amortised over a period of 10 years as from acquisition date. The order backlog has been valued at € 289 thousand and was fully amortised in 2016. Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability for the tax differences that will be released during the amortisation period. In 2016 the total amortisation related to Nozhup amounted to € 422 thousand. The deferred taxes effect amounted to 25% or € 106 thousand.

**2015**
The increase of deferred tax liabilities in 2015 related to the acquired intangible and financial assets of Strypes Bulgaria and Raster.

Strypes Bulgaria:
Order backlog and customer relations have been identified and valued as part of a Purchase Price Allocation exercise. The financial asset has been valued at € 462 thousand. The order backlog was valued at € 543 thousand and was fully amortised in 2015. Customer relations have been valued at € 3,250 thousand and is to be amortised over a period of five years as from acquisition date (€ 650 thousand per year). Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability for the tax differences that will be released during the amortisation period. In 2015, the amortisation related to Strypes Bulgaria amounted to € 1,193 thousand. The deferred taxes effect amounted to 25% or € 298 thousand.

Raster:
Software and customer relations have been identified and valued as part of a Purchase Price Allocation exercise. Software has been valued at € 2,163 thousand and will be amortised over six years, in 2015 as from acquisition date for the amount of € 90 thousand. Customer relations have been valued at € 2,071 thousand and is to be amortised over a period of eight years. In 2015 an amount of € 64 thousand was amortised. Amortisation is not tax deductible. The valuation analysis includes a deferred tax liability is included for the tax differences that will be released during the amortisation period. In 2015, the total amortisation related to Raster amounted to € 154 thousand. The deferred taxes effect amounted to 25% or € 39 thousand.

## 13. OTHER FINANCIAL ASSETS

During 2016, ICT provided the following (convertible) loans:

- The Group provided Greenflux Assets B.V. ("Greenflux") an € 400 thousand convertible loan facility under which an amount of € 150 thousand has been provided to Greenflux. The remaining amount of € 250 thousand can be drawn if certain conditions are met by Greenflux during 2017 and 2018. The convertible loan will be repaid in 5 years as from 31 December 2018. ICT will have the right to convert the loan into preference shares in the event of default or in case of a change in ownership of Greenflux. The loan accrues an interest of 8 percent;

- The Group provided a start-up company, CIS Solutions GmbH ("CIS"), a solution selling agency for LogicNets and Internet of things solutions in Germany with 2 loans during 2016:
  - a € 500 thousand convertible loan (we refer to note 11): at year-end 2016 CIS had called on € 457 thousand;
  - a loan amounting to € 150 thousand which will be repaid on 1 February 2019. The loan accrues an interest of Euribor plus 200 basis points. At year-end 2016 CIS had called on € 122 thousand.

- The Group provided Valuemaat B.V. ("Valuemaat") a convertible loan of € 200 thousand. The loan shall be repaid by Valuemaat no later than 30 September 2020. ICT will have the right to convert the loan into preference shares in the event of default or in case of a change in ownership of Valuemaat. The loan accrues an interest of 2 percent. At year-end 2016 the loan balance amounts to € 160 thousand.

The loans have been recognised initially at fair value and per year-end at amortised cost. The value of the conversion options for Greenflux and Valuemaat are immaterial per 31 December 2016.

## 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 project related accruals).

| (x € 1,000) | **2016** | **2015** |
|---|---|---|
| Trade receivables (gross) | 16,377 | 11,357 |
| Less: provision for doubtful receivables | (133) | (116) |
| Trade receivables (net) | 16,244 | 11,241 |
| Receivables from affiliated companies | 871 | 748 |
| Revenue to be invoiced | 9,374 | 7,271 |
| Other receivables | 1,032 | 609 |
| Prepayments and accrued income | 1,074 | 825 |
| | 28,595 | 20,694 |

Prepayments and accrued income include € 120 thousand > 1 year (2015: € 106 thousand > 1 year).

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

| (x € 1,000) | **2016** | **2015** |
|---|---|---|
| Balance as at 1 January | 116 | 15 |
| Arising on acquisition | - | 46 |
| Additions | 24 | 55 |
| Reversed unused | (7) | - |
| Usage | - | - |
| Balance as at 31 December | 133 | 116 |

The provision for doubtful receivables primarily relates to customers who are in default and customers who are currently experiencing liquidity difficulties. The addition and release of provisions have been included in 'other operating expenses' in the consolidated statement of total comprehensive income.

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** | **30–60 days** | **60-90 days** | **> 90 days** |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| - Trade receivables | 16,244 | 12,557 | 2,738 | 632 | 261 | 56 |
| - Receivables from affiliated companies | 871 | 668 | - | 84 | 119 | - |
| - Revenue to be invoiced | 9,374 | 9,374 | - | - | - | - |
| - Other receivables | 1,032 | 1,032 | - | - | - | - |
| Total | 27,521 | 23,631 | 2,738 | 716 | 380 | 56 |
| **2015** | | | | | | |
| - Trade receivables | 11,241 | 8,792 | 225 | 1,438 | 579 | 207 |
| - Receivables from affiliated companies | 748 | 748 | - | - | - | - |
| - Revenue to be invoiced | 7,271 | 7,271 | - | - | - | - |
| - Other receivables | 609 | 609 | - | - | - | - |
| Total | 19,869 | 17,420 | 225 | 1,438 | 579 | 207 |

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. and ICT Nearshoring B.V. Raster Beheer B.V., Raster Industriële Automatisering B.V., Raster Products B.V. and Buro Medische Automatisering B.V. have pledged their current and future receivables from trading activities as collateral.

## 15. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at free disposal of the Company except for the cash on the blocked G-bank accounts of € 18 thousand (2015: € 295 thousand). The cash and cash equivalents consist of bank balances bearing interest in line with market interest rates.

As at 31 December 2016 bank overdrafts amount to € 17 thousand (31 December 2015: € nil).

## 16. SHAREHOLDERS' EQUITY

| | | Issued share capital (x € 1,000) | | | |
|---|---|---|---|---|---|
| Issued share capital | Number of shares | Ordinary shares | Cumulative preference shares | Share premium | Total |
| **At 1 January 2015** | **8,747,544** | **875** | **-** | **8,411** | **9,286** |
| - Shares issued | - | - | - | - | - |
| **At 31 December 2015** | **8,747,544** | **875** | **-** | **8,411** | **9,286** |
| - Shares issued | | | | | |
| at 2 March 2016 | 97,707 | 10 | - | 782 | 792 |
| at 7 September 2016 | 443,058 | 44 | - | 4,575 | 4,619 |
| | 540,765 | 54 | | 5,357 | 5,411 |
| **At 31 December 2016** | **9,288,309** | **929** | **-** | **13,768** | **14,697** |

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

The number of ordinary shares issued and fully paid-up at year-end amounted to 9,288,309 (2015: 8,747,544).

ICT Group N.V. issued 97,707 shares on 2 March 2016 related to the acquisition of BMA and 443,058 shares on 7 September 2016 related to the acquisition of Nozhup.

### Preference shares

No cumulative preference shares had been issued as at year end 2016 and 2015.

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.

### Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity (retained earnings). Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity (retained earnings) and the resulting surplus or deficit on the transaction is presented in retained earnings.

In 2016, ICT obtained treasury shares for the share participation plan for employees introduced in 2015. In 2015, ICT obtained treasury shares for the newly introduced share participation plan for employees. for the share-based payments for the Executive Board and the partial fulfilment of payment for the acquisition of Raster.

The changes in the number of issued and outstanding ordinary shares in 2016 and 2015 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 2015 | - | - | - | - |
| - Purchased treasury shares in 2015 for the acquisition of Raster | 222,612 | 6.48 | 1,443 | - |
| - Payment in shares in 2015 for the acquisition of Raster | (222,612) | 6.58 | (1,464) | - |
| - Purchased treasury shares in 2015 for the personnel share plan | 41,463 | 7.65 | 317 | - |
| - Repurchased treasury shares in 2015 for the personnel share plan | (41,463) | 7.43 | (308) | - |
| - Profit transfer to retained earnings | | | 12 | (12) |
| At 31 December 2015 | - | | - | (12) |
| - Purchased treasury shares in 2016 for the personnel share plan | 30,321 | 10.23 | 310 | - |
| - Repurchased treasury shares in 2016 for the personnel share plan | (30,321) | 9.13 | (277) | - |
| - Loss transfer to retained earnings | | | (33) | 33 |
| **At 31 December 2016** | **-** | | **-** | **33** |

The average purchase price of the ordinary treasury shares was € 10.23 (2015: € 6.66). On 31 December 2016 and 31 December 2015 ICT possessed no treasury shares.

### 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. This reserve cannot be distributed.

### Legal reserve

The legal reserve pertains to capitalised product development expenses, capitalised software development expenses, the undistributed net profits of Strypes Nederland B.V. and the undistributed net profits of Intraffic B.V. This reserve cannot be distributed.

## 17. SHARE-BASED COMPENSATION LIABILITIES

A share-based compensation liability has been recognised for the estimated amount of € 414 thousand (2015: € 137 thousand), as shown in the following table:

| (x € 1,000) | **2016** | **2015** |
|---|---|---|
| LTIP Key management personnel | 371 | 137 |
| LTIP Employee equity participation | 43 | - |
| Total | 414 | 137 |

### LTIP Key management personnel

Key management personnel have a long-term variable remuneration through mandatory participation of 25% of the short-term bonus in a long-term incentive programme. In addition to this, key management personnel are allowed to invest an amount of maximum € 25,000 each in ICT shares from their own funds on an annual basis. These shares have a lock-up period of three years. After these three years, key management personnel can qualify for an additional bonus if the earnings per share have developed favourably since the baseline date. The additional awarded bonus (0%, 50% or 100% of the investment in ICT shares) will be settled by the Company after three years after the financial year-end bonus is determined and the financial statements have been approved by the General Meeting.

### LTIP Employee equity participation

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 is 31 December 2015, as a result of which the liability at 31 December 2015 was nil.

## 18. LOANS

At year-end 2016 the Company had called on the acquisition facility (facility B) for the amount of € 9,177 thousand (2015: € 3,040 thousand). Drawings under the acquisition facility (facility B) are repayable in four years, in quarterly instalments. The quarterly instalments from the 2015 drawings amount to € 308 thousand and the quarterly instalments from the 2016 drawings amount to € 313 thousand. Consequently, an amount of € 2,484 thousand (2015: € 760 thousand) has been presented as short-term loans under current liabilities and an amount of € 6,693 thousand (2015: € 2,280 thousand) has been presented as long-term loans.
The loan carries a variable interest rate of EURIBOR + 2.4%. For further details on the credit facilities see to notes 6 and 34.

Loans as at 31 December 2016 also include a loan payable to the minority shareholder of BMA amounting to € 239 thousand, of which € 170 thousand is presented as short-term loan. The loan bears interest at 3%.

## 19. CURRENT LIABILITIES

The current liabilities are non-interest bearing and in general include a payment term of up to 45 days. These are usually paid entirely within the payment period. The current liabilities at 31 December 2016 are 0 to 45 days old, with the exceptions of fixed price projects, the short-term portion of the restructuring and the onerous contracts, and are thus within the agreed payment period.

The current liabilities are specified as follows:

| (x € 1,000) | **2016** | **2015** |
|---|---|---|
| Trade payables | 3,008 | 2,143 |
| Corporate income tax payable | 62 | 859 |
| Other taxes and social security liabilities | 6,618 | 5,726 |
| Loans short term | 2,654 | 760 |
| Deferred acquisition consideration | - | 1,538 |
| Bank overdrafts | 17 | - |
| Accruals and deferred income | 3,319 | 1,992 |
| Other liabilities | 6,041 | 4,410 |
| Total | 21,719 | 17,428 |

In 2015 the deferred acquisition consideration pertained to the earn-out of the acquisition of Strypes and was fully paid in 2016.
For further details, see note 20.

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

The accruals and deferred income pertain primarily to progress billings projects and obligations that ensue from fixed-price projects (including warranty and project related accruals).

The carrying amount of these liabilities equals the fair value.

## 20. DEFERRED ACQUISITION CONSIDERATION

### NON-CURRENT LIABILITIES

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 € 3,132 thousand at 31 December 2016 due to interest unwinding.

### CURRENT LIABILITIES

With regard to the acquisition of Strypes Bulgaria, the deferred acquisition consideration (“earn-out”) is based on a percentage of Strypes’ normalised EBITDA when certain EBITDA thresholds are achieved. The earn-out was capped at € 1.6 million and payable at 31 March 2016. To determine the earn-out payable, the thresholds and related percentages are applied to Strypes Bulgaria’s’ business plan. The earn-out was valued at € 1,351 thousand at the acquisition date and was valued at the amount of € 1,538 thousand at 31 December 2015 due to interest unwinding. In 2016, an amount of € 51 thousand interest unwinding was reported and the earn-out liability of € 1,589 thousand was fully paid on 31 March 2016.

## 21. DISCONTINUED OPERATIONS

The result from discontinued operations amounts to € 810 thousand and represents a net tax relief resulting from the final liquidation of ICT Software Engineering GmbH in 2016. The amount pertains the net effect of tax charge of € 290 thousand from deferred tax assets and a € 1,100 thousand tax relief from deferred tax liabilities.

### Breakdown of comprehensive result from discontinued operations

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Net revenue | - | - |
| Cost of Materials and subcontractors | - | - |
| Employee benefit expenses | - | - |
| Depreciation and amortisation | - | - |
| Other operating expenses | - | - |
| Total operating expenses | - | - |
| **Profit (loss) from operating activities** | - | - |
| Result from sale of the operations | - | - |
| Loss before taxes from discontinued operations | - | - |
| Taxes | 810 | - |
| **Net profit (loss)** | 810 | - |

The result for the period from discontinued operations was attributable entirely to the shareholders of ICT.
For further details, see note 12.

### Breakdown of net cash flow from discontinued operations

The cash flows from discontinued operations can be specified as follows:

| **According to the direct method** (x € 1,000) | **2016** | | 2015 | |
|---|---|---|---|---|
| Net cash flow from operating activities | | - | | **155** |
| Net cash flow from divestment activities | | - | | - |
| Net cash flow from financing activities (inter group)* | | **(1,127)** | | - |
| **Net cash flow** | | **(1,127)** | | **155** |
| Cash at bank and in hand as at 31 December | - | | 1,127 | |
| Cash at bank and in hand at 1 January | 1,127 | | 972 | |
| Increase / (decrease) cash and cash equivalents | | **(1,127)** | | **155** |

* Represents the final liquidation payment of ICT Software Engineering GmbH to ICT Group N.V. Consequently this payment is not shown in the consolidated statement of cash flows.

## 22. 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 2016: ICT Netherlands (including Nozhup), Strypes Bulgaria, BMA, Raster and Improve.

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 all 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 and Strypes Bulgaria should be presented as separate segments. The other entities, Improve, Raster and BMA 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 total comprehensive income.

## 2016

| (x € 1,000) | ICT Netherlands | Strypes Bulgaria | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue:** | | | | | |
| From clients | **68,521** | **7,037** | **14,171** | **-** | **89,729** |
| Inter-segment | 465 | 566 | 155 | (1,186) | - |
| **Total revenue** | **68,986** | **7,603** | **14,326** | **(1,186)** | **89,729** |
| Operating expenses directly attributable to the operating segments | 49,489 | 4,354 | 9,180 | (1,186) | 61,837 |
| **Segment Gross profit** | **19,497** | **3,249** | **5,146** | **-** | **27,892** |
| Allocated operating expenses | 12,857 | 1,575 | 3,164 | - | 17,596 |
| **Operating profit (loss) before amortisation and depreciation** | **6,640** | **1,674** | **1,982** | **-** | **10,296** |
| Allocated amortisation and depreciation | 984 | 710 | 1,230 | - | 2,924 |
| Impairment charges | - | - | - | - | - |
| **Operating profit (loss)** | **5,656** | **964** | **752** | **-** | **7,372** |
| Financial expenses | | | | | (538) |
| Financial income | | | | | 6 |
| Result from joint ventures | | | | | 221 |
| Result from associates | | | | | (1,044) |
| **Profit before taxation** | | | | | **6,017** |
| Taxes | | | | | (1,705) |
| **Net profit from continuing operations** | | | | | **4,312** |
| **Discontinued operations** | | | | | |
| Result after Taxes from discontinued operations | | | | | 810 |
| **Net profit** | | | | | **5,122** |
| **Segment Assets** | 32,548 | 5,914 | 40,688 | - | 79,150 |
| **Segment Liabilities** | 17,866 | 792 | 16,783 | - | 35,441 |
| **Other notes** | | | | | |
| Operating profit before amortisation and depreciation/ total revenue | 9.6% | 22.0% | 13.8% | - | **11.5%** |
| Average number of employees | 635 | 115 | 86 | - | 836 |

## 2015

| (x € 1,000) | ICT Netherlands | Strypes Bulgaria | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue:** | | | | | |
| From clients | **60,765** | **5,392** | **5,630** | **-** | **71,787** |
| Inter-segment | 265 | 325 | 538 | (1,128) | - |
| **Total revenue** | **61,030** | **5,717** | **6,168** | **(1,128)** | **71,787** |
| Operating expenses directly attributable to the operating segments | 43,495 | 3,076 | 4,109 | (1,128) | 49,552 |
| **Segment Gross profit** | **17,535** | **2,641** | **2,059** | **-** | **22,235** |
| Allocated operating expenses | 12,111 | 1,052 | 1,930 | - | 15,093 |
| **Operating profit (loss) before amortisation and depreciation** | **5,424** | **1,589** | **129** | **-** | **7,142** |
| Allocated amortisation and depreciation | 428 | 1,224 | 172 | - | 1,824 |
| Impairment charges | - | - | - | - | - |
| **Operating profit (loss)** | **4,996** | **365** | **(43)** | **-** | **5,318** |
| Financial expenses | | | | | (338) |
| Financial income | | | | | 23 |
| Result from joint ventures | | | | | 296 |
| Result from associates | | | | | (609) |
| **Profit before taxation** | | | | | **4,690** |
| Taxes | | | | | (1,139) |
| **Net profit from continuing operations** | | | | | **3,551** |
| **Discontinued operations** | | | | | |
| Result after Taxes from discontinued operations | | | | | - |
| **Net profit** | | | | | **3,551** |
| **Segment Assets** | 51,250 | 4,023 | 2,955 | - | 58,228 |
| **Segment Liabilities** | 12,205 | 403 | 10,123 | - | 22,731 |
| **Other notes** | | | | | |
| Operating profit (loss) before amortisation and depreciation/ total revenue | 8.9% | 27.8% | 2.1% | - | **9.9%** |
| Average number of employees associated with continuing operations | 582 | 77 | 52 | - | 711 |
| Average number of employees associated with discontinued operations | - | - | - | - | - |
| | 582 | 77 | 52 | - | 711 |

## 23. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses can be specified as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Salaries | 43,304 | 36,603 |
| Social security charges | 6,693 | 5,321 |
| Pension expenses | 1,740 | 1,366 |
| Share-based payment compensation | 277 | 164 |
| | 52,014 | 43,454 |

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 total comprehensive income can be specified as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Pension costs | 2,674 | 2,094 |
| Employee Contributions | (934) | (728) |
| | 1,740 | 1,366 |

The average number of staff employed by ICT Group N.V. and its group companies in 2016, expressed in full time equivalents was 836 (2015: 711). Of these employees, 115 were employed outside the Netherlands (2015: 92).

## 24. REMUNERATIONS OF MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

As determined in the shareholders' meeting on 13 May 2015 the members of the Supervisory Board receive a remuneration for the period 2015 to 2018/2019 as follows:

- Standard remuneration - € 30,000 per annum (2015: € 30,000);
  Additional compensation:
- Chairman of the Supervisory Board - € 12,000 per annum (2015: € 12,000);
- Chairman of the Audit Committee - € 6,000 per annum (2015 € 6,000);
- Chairman of the Remuneration and Appointments Committee - € 5,000 per annum (2015: € 5,000);
- A member of the Audit Committee - € 4,000 per annum (2015 € 4,000);
- A member of the Remuneration and Appointments Committee - € 3,000 per annum (2015: 3,000);
- Expenses allowance € 2,500 (2015: € 2,500).

The total remuneration for members of the Supervisory Board and the Executive Board in 2016 is as follows:

| **2016** | Remuneration | Bonus | Termination benefit | Share-based compensation* | Other long-term benefits | 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 | 360,000 | 138,880 | - | 125,225 | - | 624,105 |
| W.J. Wienbelt | 230,000 | 89,600 | - | 71,381 | - | 390,981 |
| | 590,000 | 228,480 | - | 196,606 | - | 1,015,086 |
| Total | 740,000 | 228,480 | - | 196,606 | - | 1,165,086 |

* The share-based compensation relates to the long-term incentive programme. These estimated amounts have been accrued but will only be payable after the three-year lock-up period. Final amounts payable will depend on the share price development at the end of this three-year lock-up period since the baseline date.

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 four components:

a) fixed basic management fee;
b) secondary conditions (including a pension plan and a compensation for the costs of insurance against sickness and occupational disability);
c) short-term variable remuneration as a reward for meeting short-term (one year) performance targets, consisting of an annual bonus paid in cash. The short-term variable remuneration has been capped and amounts to 50% of the fixed management fee in the event that the pre-defined performance targets have been 100% achieved. In the event of over-performance the short-term variable remuneration amounts to 100% of the fixed management fee. Management has the obligation to invest 25% of the short-term variable remuneration in the long-term incentive programme as described under d) below;
d) long-term variable remuneration through mandatory participation of 25% of the short-term bonus in a long-term incentive programme. In addition, the members of the Executive Board are contractually allowed to invest a maximum amount of € 25,000 each in ICT shares from their own funds on an annual basis. These shares have a lock-up period of three years. After these three years, Executive Board members can qualify for an additional bonus if the earnings per share have developed favourably since the baseline date. The additional awarded bonus (0%, 50% or 100% of the investment in ICT shares) will be settled by the Company after three years once the financial year-end bonus is determined and the financial statements have been approved by the General Meeting. Consequently, for 2016 an amount of € 57,120 (2015: € 55,718) of the bonus paid to the Executive Board will be invested by the Executive Board to purchase shares in ICT. The expenses related to this long term incentive plan amounted to € 196,606 in 2016 (2015: € 102,000). The related liability has been recognised under ‘share-based payment compensation liabilities’ in the consolidated balance sheet.

The total remuneration for members of the Supervisory Board and the Executive Board in 2015 was as follows:

| 2015 | Remuneration | Bonus | Termination benefit | Share-based compensation | Other and long-term benefits | **Total** |
|---|---|---|---|---|---|---|
| **Members of the Supervisory Board** | | | | | | |
| Th.J. van der Raadt (chairman) | 41,250 | - | - | - | - | 41,250 |
| F.J. Fröschl | 28,125 | - | - | - | - | 28,125 |
| D. Luthra | 34,125 | - | - | - | - | 34,125 |
| J.A. Sinoo | 36,000 | - | - | - | - | 36,000 |
| | 139,500 | - | - | - | - | 139,500 |
| **Members of the Executive Board** | | | | | | |
| J. H. Blejie | 360,000 | 135,470 | - | 67,000 | - | 562,470 |
| W.J. Wienbelt | 230,000 | 87,400 | - | 35,000 | - | 352,400 |
| | 590,000 | 222,870 | - | 102,000 | - | 914,870 |
| Total | 729,500 | 222,870 | - | 102,000 | - | 1,054,370 |

* The share-based compensation relates to the long-term incentive programme. These estimated amounts have been accrued but will only be payable after the three-year lock-up period. Final amounts payable will depend on the share price development at the end of this three-year lock-up period since the baseline date.

## 25. SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

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

| | Number held at 31 December 2016 | Number held at 31 December 2015 |
|---|---|---|
| **Members of the Executive Board** | | |
| J. Blejie | 22,605 | 17,575 |
| W.J. Wienbelt | 7,614 | 4,285 |

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

## 26. OUTSTANDING OPTIONS HELD BY MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

### Executive Board

The members of the Executive Board did not have options in 2016 and 2015.

### Supervisory Board

The members of the Supervisory Board did not have options in 2016 and 2015.

## 27. LOANS TO MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

On the balance sheet dates, there were no loans to the Executive Board or Supervisory Board members.

## 28. OTHER OPERATING EXPENSES

The other operating expenses item can be specified as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Car and travel expenses | 6,141 | 5,948 |
| Accommodation | 2,187 | 2,014 |
| Other expenses | 8,737 | 6,989 |
| | 17,065 | 14,951 |

Other expenses in 2016 include € 456 thousand related to the research of potential strategic combinations and the expenses were primarily related to the acquisition of BMA and Nozhup (2015: € 653 thousand, related to the acquisition of Strypes and Raster).

## 29. FINANCIAL INCOME AND EXPENSES

The financial expenses comprise bank costs and interest on loans. The financial income comprised received bank interest. The 2016 financial expenses also include an amount of € 118 thousand for interest on the deferred acquisition consideration relating to BMA (2015: € nil) and € 51 thousand relating to Strypes Bulgaria (2015: € 188 thousand).

## 30. INCOME TAX EXPENSES

| | Continuing operations | | Discontinued operations | |
|---|---|---|---|---|
| (x € 1,000) | 2016 | 2015 | 2016 | 2015 |
| Current taxes | 413 | 1,482 | - | - |
| Deferred taxes | 1,292 | (343) | (810) | - |
| Total tax charge (relief) | 1,705 | 1,139 | (810) | - |

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

| (x € 1,000) | Continuing operations 2016 | | Continuing operations 2015 | | Discontinued operations 2016 | | Discontinued operations 2015 | |
|---|---|---|---|---|---|---|---|---|
| Result before taxation | 6,017 | | 4,690 | | - | | - | |
| Income tax based on prevailing rate, in the Netherlands 25.0% (2015: 25.0%) | 1,504 | 25% | 1,173 | 25% | - | - | - | - |
| *Permanent Differences:* | | | | | | | | |
| Effect of tax rates in foreign regimes | (219) | -4% | (229) | -5% | - | - | - | - |
| Effect of non-deductible expenses | 137 | 2% | 144 | 3% | - | - | - | - |
| Effect of result from joint ventures and associates | 211 | 4% | 78 | 2% | - | - | - | - |
| Effect of non-taxable income | - | 0% | (27) | -1% | - | - | - | - |
| Weighted Average Applicable Tax rate | 1,633 | 27% | 1,139 | 24% | - | - | - | - |
| Unrecognised carry-forward tax losses | 72 | 1% | - | 0% | - | - | - | - |
| Deferred taxes effect liquidation ICT Germany | - | 0% | - | 0% | (810) | - | - | - |
| Income tax expense (profit) / Average effective tax rate | 1,705 | 28% | 1,139 | 24% | (810) | - | - | - |

The effect of taxes in foreign regimes reflect the impact of different nominal tax rates in the fiscal jurisdictions in which ICT operates. In 2016 the nominal corporate tax rate in Bulgaria amounted to 10%, in France to 33%, in Belgium to 34% and in Germany 30%.

Non-taxable income and non-deductible expenses represent adjustments for income and expenses not subject to taxation.

In 2014 the Dutch fiscal unit recognised a deferred tax asset of € 4,129 thousand related to the liquidation loss of ICT Germany of approximately € 16 million. In 2016, ICT finalised the liquidation of ICT Germany. The liquidation resulted in a net tax relief of € 810 thousand, including a tax charge on deferred tax assets of € 290 thousand and a € 1,100 thousand tax relief from deferred tax liabilities.

The 2016 income tax expense (profit) includes an amount of € 499 thousand with respect to the 2016 amortisation on the intangible assets relating to the acquisition of Strypes Bulgaria, Raster, BMA and Nozhup. In 2015 the income tax expense (profit) included an amount of € 337 thousand with respect to the 2015 amortisation on the intangible assets relating to the acquisition of Strypes Bulgaria and Raster.

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. and ICT Mobile B.V., forms one single fiscal entity. Tax is calculated and recharged within the tax Group as if the group companies were paying tax on a separate return basis.

## 31. EARNINGS PER SHARE

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

| | 2016 | 2015 |
|---|---|---|
| Weighted average number of outstanding ordinary shares | 8,968,516 | 8,747,544 |
| | | |
| **Earnings per share:** | | |
| *From continuing and discontinued operations* | | |
| Net profit attributable to shareholders | 5,006,000 | 3,551,000 |
| Basic earnings per share (in €) | 0.56 | 0.41 |
| | | |
| *From continuing operations* | | |
| Net profit attributable to shareholders | 4,196,000 | 3,551,000 |
| Basic earnings per share (in €) | 0.47 | 0.41 |

In 2016 and 2015 there were no dilution effects.

## 32. AUDITOR'S FEES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| (x € 1,000) | Deloitte Accountants B.V. | Deloitte Network | Total | Deloitte Accountants B.V. | Deloitte Network | Total |
| Audit of the financial statements *) | 242 | 8 | 250 | 310 | 13 | 323 |
| Other audit services | - | - | - | 14 | - | 14 |
| Tax advisory services | - | - | - | - | 1 | 1 |
| Other non-audit services | - | - | - | - | - | - |
| **Total** | 242 | 8 | 250 | 324 | 14 | 338 |

* The 2015 audit fees include an amount of € 90 thousand relating to the 2014 audit.

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by its external auditor Deloitte Accountants B.V. and the Deloitte Network as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch abbreviation: Wta).

## 33. RELATED PARTIES

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management includes the directors (executive and non-executive) and the members of the Supervisory Board of ICT Group N.V. and ICT Automatisering Netherlands B.V. The compensation paid or payable to key management is shown below:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Salaries, fees and other short-term employee benefits | 935 | 925 |
| Bonus | 281 | 275 |
| Termination benefits | - | - |
| Post-employment benefits | 7 | 7 |
| Other long-term benefits | - | - |
| Share-based payment compensation | 234 | 123 |
| **Total** | **1,457** | **1,330** |

### OTHER RELATED PARTY TRANSACTIONS

In the ordinary course of business, ICT buys and sells goods 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., LogicNets Inc, Strypes Nederland B.V. and Greenflux Assets B.V. during the year can be specified as follows:

| (x € 1,000) | **2016** | **2015** |
|---|---|---|
| Sales to related parties | 3,335 | 3,836 |
| Purchases from related parties | 400 | 45 |
| Receivables (net) from related parties | 973 | 748 |
| Loans (net) to related parties* | 325 | - |
| Payables to related parties | 72 | - |

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

The transactions are primarily related to the outsourcing of personnel. The transactions take place at arm's length rates. The liabilities from related parties include trade creditors related to these transactions.

## 34. COMMITMENTS AND CONTINGENCIES NOT DISCLOSED IN THE BALANCE SHEET

### Credit facility

In July 2016, in anticipation of the acquisition of Nozhup, ICT extended its credit facilities to € 22.5 million in total. The working capital credit facility (facility A) was increased from € 6 million to € 10 million and the acquisition credit facility (facility B) was increased from € 6 million to € 11 million. The guarantee facility of € 1.5 million and the conditions of the facilities remained unchanged from to the previous agreement.

At year-end 2016 ICT had called on the acquisition facility (facility B) for the amount of € 9.2 million and had called on the working capital credit facility (facility A) for an insignificant amount.

At year-end 2015 ICT had called on the acquisition facility (facility B) for the amount of € 3.0 million, while the working capital credit facility (facility A) was unused.

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 2016 and per 31 December 2016, the Company had complied with all quarterly and annual bank covenant requirements.

### Guarantees

At the balance sheet date, outstanding guarantees amounted to € 1.3 million (2015: € 1.2 million). These guarantees were provided in connection with current rental and client commitments.

### 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.

**Rental**

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| No later than 1 year | 1,715 | 1,326 |
| Later than 1 year and no later than 5 years | 6,040 | 4,100 |
| Later than 5 years | 1,851 | 1,137 |
| **Total** | **9,606** | **6,563** |

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) | **2016** | 2015 |
|---|---|---|
| No later than 1 year | 3,853 | 3,660 |
| Later than 1 year and no later than 5 years | 5,009 | 4,933 |
| Later than 5 years | - | - |
| **Total** | **8,862** | **8,593** |

### 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 2016:

- ICT Automatisering Nederland B.V.
- Raster Beheer B.V., Raster Industriële Automatisering B.V. and Raster Products B.V.
- Improve Quality Services B.V. (since 1 January 2016)
- Cheese Maze Holland B.V. and Nozhup B.V. (since 6 September 2016).

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 tax group.

## 35. SUBSEQUENT EVENTS

The Company has evaluated events up to issuance date of these financial statements of this Annual Report and determined that no subsequent events required disclosure.

# COMPANY FINANCIAL STATEMENTS 2016

# COMPANY BALANCE SHEET AS AT 31 DECEMBER

(before net result appropriation)

| (x € 1,000) | Note | 2016 | | 2015 * | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant & equipment | 2 | 126 | | 229 | |
| Goodwill | 3 | 21,656 | | 14,893 | |
| Other intangible assets | 4 | 36 | | 71 | |
| Financial assets | 5 | 32,179 | | 44,745 | |
| Deferred tax assets | 6 | 2,009 | | 4,129 | |
| Other financial assets | 7 | 277 | | - | |
| | | | 56,283 | | 64,067 |
| CURRENT ASSETS | | | | | |
| Trade and other receivables | 8 | 3,426 | | 186 | |
| Corporate income tax receivable | | 901 | | - | |
| Cash and cash equivalents | | 68 | | 1,025 | |
| | | | 4,395 | | 1,211 |
| **TOTAL ASSETS** | | | 60,678 | | 65,278 |
| **Equity and liabilities** | | | | | |
| SHAREHOLDERS' EQUITY | 9 | | | | |
| Issued share capital | | 929 | | 875 | |
| Share premium | | 13,768 | | 8,411 | |
| Currency translation reserve | | 75 | | 97 | |
| Legal reserve | | 1,744 | | 1,392 | |
| Treasury shares | | - | | - | |
| Retained earnings | | 21,753 | | 21,171 | |
| Net result for the year | | 5,006 | | 3,551 | |
| | | | 43,275 | | 35,497 |
| NON-CURRENT LIABILITIES | 10 | | | | |
| Share-based compensation liabilities | | 414 | | 137 | |
| Loans (long-term) | | 6,693 | | 2,280 | |
| Deferred acquisition consideration (long-term) | | 3,132 | | - | |
| | | | 10,239 | | 2,417 |
| CURRENT LIABILITIES | 11 | | | | |
| Trade payables | | 316 | | 382 | |
| Payables to group companies | | 3,578 | | 23,305 | |
| Corporate income tax payable | | - | | 685 | |
| Other taxes and social security premiums | | 21 | | 89 | |
| Loans (short-term) | | 2,484 | | 760 | |
| Deferred acquisition consideration (short-term) | | - | | 1,538 | |
| Provision for subsidiaries | | - | | 59 | |
| Bank overdrafts | | 17 | | - | |
| Other current liabilities | | 748 | | 546 | |
| | | | 7,164 | | 27,364 |
| **TOTAL EQUITY AND LIABILITIES** | | | 60,678 | | 65,278 |

* Restated for comparison purposes

# COMPANY INCOME STATEMENT

| (x € 1,000) | Note | **2016** | 2015 |
|---|---|---|---|
| Net revenue | 12 | 2,367 | 2,536 |
| Employee benefit expenses | 13 | 1,663 | 1,832 |
| Depreciation and amortisation | 2 | 158 | 231 |
| Impairment charges | | - | - |
| Other operating expenses | 14 | 1,320 | 1,597 |
| Total operating expenses | | 3,141 | 3,660 |
| **Operating profit** | | **(774)** | **(1,124)** |
| Financial expenses | 15 | (506) | (318) |
| Financial income | 15 | 1 | 8 |
| Result from subsidiaries | 5 | 7,219 | 5,137 |
| Result from joint ventures | 5 | 221 | 296 |
| Result from associates | 5 | (1,065) | (676) |
| **Result before taxes** | | 5,096 | 3,323 |
| Income tax profit | 16 | (90) | 228 |
| **Net result for the year** | | **5,006** | **3,551** |

## 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.

Effective 2016 it is no longer allowed to present the Company-only income statement in its condensed form. As at 31 December 2015 condensed presentation was still allowed in accordance with article 402, Book 2 of the Dutch Civil Code. Consequently, the Company-only income statement for 2016 and 2015 is presented in full.

The 2015 company balance sheet included separate presentation of the intangible fixed assets and related deferred tax liabilities arising from acquisitions. These items should have been presented as part of the financial assets value. Consequently, as from 2016 these items have been presented as part of the financial assets value and the balance sheet as at 31 December 2015 includes reclassifications for comparison purposes. Consequently the notes of 2015 have been changed where applicable.

In the event that no other policies are mentioned, see the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. 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. PROPERTY, PLANT AND EQUIPMENT

The following overview shows movements in the assets included under this balance item during 2016 and 2015:

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| (x € 1,000) | Computer equipment | Other tangible fixed assets | Total | Computer equipment | Other tangible fixed assets | Total |
| **Cost** | | | | | | |
| **1 January** | **999** | **237** | **1,236** | **999** | **237** | **1,236** |
| Additions | 21 | - | 21 | - | - | - |
| **31 December** | **1,020** | **237** | **1,257** | **999** | **237** | **1,236** |
| **Accumulated depreciation** | | | | | | |
| **1 January** | **(817)** | **(190)** | **(1,007)** | **(686)** | **(150)** | **(836)** |
| Depreciation | (102) | (22) | (124) | (131) | (40) | (171) |
| **31 December** | **(919)** | **(212)** | **(1,131)** | **(817)** | **(190)** | **(1,007)** |
| **Net book value 1 January** | **182** | **47** | **229** | **313** | **87** | **400** |
| **Net book value 31 December** | **101** | **25** | **126** | **182** | **47** | **229** |

## 3. GOODWILL

The movement in goodwill is as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| **At 1 January** | | |
| Cost | 20,973 | 16,961 |
| Accumulated impairment | (6,080) | (6,080) |
| Net book value | 14,893 | 10,881 |
| | | |
| **Movement in cost** | | |
| Arising on acquisition | 6,763 | 4,012 |
| | 6,763 | 4,012 |
| | | |
| **Impairment losses** | | |
| Impairment | - | - |
| | - | - |
| | | |
| **At 31 December** | | |
| Cost | 27,736 | 20,973 |
| Accumulated impairment | (6,080) | (6,080) |
| Net book value | 21,656 | 14,893 |

For the purpose of impairment testing, goodwill is allocated to the following cash-generating units (CGUs).

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| ICT Netherlands (including Nozhup) | 13,214 | 8,692 |
| Strypes Bulgaria | 1,009 | 1,009 |
| Raster | 3,003 | 3,003 |
| Improve | 2,189 | 2,189 |
| BMA | 2,241 | - |
| | | |
| Total | 21,656 | 14,893 |

For further information related to goodwill, we refer to the consolidated financial statements (note 8).

## 4. OTHER INTANGIBLE ASSETS

The following overview shows movements in the other intangible assets included under this balance item during 2016 and 2015:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| | Software and licenses | Software and licenses |
| **Cost** | | |
| **1 January** | **716** | 716 |
| Additions | - | - |
| **31 December** | 716 | 716 |
| | | |
| **Accumulated amortisation** | | |
| **1 January** | **(645)** | **(586)** |
| Amortisation | (35) | (59) |
| **31 December** | **(680)** | **(645)** |
| | | |
| **Net book value 1 January** | **71** | **130** |
| | | |
| **Net book value 31 December** | **36** | **71** |

For further information related to other intangible assets, we refer to the consolidated financial statements (note 9).

## 5. FINANCIAL ASSETS

Movement in the net asset value of the financial assets is as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| | | |
| **Movement in financial assets for participation with a negative amount** | | |
| **Balance as at 1 January** | **(10,223)** | **(10,223)** |
| Share in profit of (loss) in participating interests | 1,162 | - |
| Liquidation | 9,061 | - |
| Share in negative net asset value | - | (10,223) |
| Transfer to provision subsidiaries | - | 59 |
| Loans as at 1 January | 10,164 | 10,164 |
| Payments to loans | (1,103) | - |
| Liquidation | (9,061) | - |
| **Balance as at 31 December** | - | - |
| | | |
| **Movement in financial assets** | | |
| **Balance as at 1 January** | **44,745** | **30,796** |
| Share in result from subsidiaries, joint ventures and associates | 5,940 | 5,156 |
| Impairment of associates | (727) | (400) |
| Dividend received | (26,944) | (455) |
| Additions | 9,187 | 9,620 |
| Exchange rate differences | (22) | 28 |
| **Balance as at 31 December** | **32,179** | **44,745** |

## 6. DEFERRED TAX ASSETS

The deferred tax asset pertains to the carry-forward losses for the liquidation of ICT Germany and the temporary differences between the carrying amount and tax base of assets and liabilities. The movement in deferred taxes can be shown as follows:

| (x € 1,000) | 2016 | 2015 |
|---|---|---|
| **Balance as at 1 January** | **4,129** | **4,129** |
| **Charged to the balance sheet:** | - | - |
| **Subtotal** | - | - |
| **Gain / (loss) charged to the income statement:** | | |
| Utilisation | (1,830) | - |
| Liquidation ICT Software Engineering GmbH | (290) | - |
| | (2,120) | - |
| **Balance as at 31 December** | **2,009** | **4,129** |

For further explanation, see note 12 of the consolidated financial statements.

## 7. OTHER FINANCIAL ASSETS

Other financial assets relate to the loans granted to Greenflux and CIS. Refer to note 13 of the consolidated financial statements.

## 8. RECEIVABLES

The composition of the receivables is as follows:

| (x € 1,000) | 2016 | 2015 |
|---|---|---|
| Trade receivables | 3 | - |
| Receivables from group companies | 3,163 | - |
| Other receivables | 105 | 12 |
| Prepayments and accrued income | 155 | 174 |
| **Balance as at 31 December** | **3,426** | **186** |

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.

## 9. SHAREHOLDERS' EQUITY

The movements in shareholders' equity are as follows:

| (x € 1,000) | Ordinary shares | Cumulative preference shares | Share premium | Currency translation reserve | Legal reserve | Treasury shares | Retained earnings | Profit (loss) for the year | Total |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2015** | **875** | **-** | **8,411** | **69** | **1,174** | **-** | **18,378** | **4,934** | **33,841** |
| Net result for the year | - | - | - | - | - | - | - | 3,551 | 3,551 |
| Dividends paid | - | - | - | - | - | - | (2,012) | - | (2,012) |
| Purchase of subsidiaries | - | - | - | - | - | - | 110 | - | 110 |
| Exercised options | - | - | - | - | - | - | (33) | - | (33) |
| Exchange rate differences | - | - | - | 28 | - | - | - | - | 28 |
| Purchase of treasury shares | - | - | - | - | - | (1,760) | - | - | (1,760) |
| Sale of treasury shares | - | - | - | - | - | 1,772 | - | - | 1,772 |
| Transfers | - | - | - | - | 218 | (12) | (206) | - | - |
| Prior year result allocation | - | - | - | - | - | - | 4,934 | (4,934) | - |
| **Balance at 31 December 2015** | **875** | **-** | **8,411** | **97** | **1,392** | **-** | **21,171** | **3,551** | **35,497** |
| **1 January 2016** | **875** | **-** | **8,411** | **97** | **1,392** | **-** | **21,171** | **3,551** | **35,497** |
| Net result for the year | - | - | - | - | - | - | - | 5,006 | 5,006 |
| Dividends paid | - | - | - | - | - | - | (2,123) | - | (2,123) |
| Purchase of subsidiaries | - | - | - | - | - | - | (461) | - | (461) |
| Exchange rate differences | - | - | - | (22) | - | - | - | - | (22) |
| Purchase of treasury shares | - | - | - | - | - | (310) | - | - | (310) |
| Sale of treasury shares | - | - | - | - | - | 277 | - | - | 277 |
| Issuance of new shares | 54 | - | 5,357 | - | - | - | - | - | 5,411 |
| Transfers | - | - | - | - | 352 | 33 | (385) | - | - |
| Prior year result allocation | - | - | - | - | - | - | 3,551 | (3,551) | - |
| **Balance at 31 December 2016** | **929** | **-** | **13,768** | **75** | **1,744** | **-** | **21,753** | **5,006** | **43,275** |

The authorised share capital of € 3,750,000 is divided into 18,700,000 ordinary shares with a nominal value of € 0.10 each and 18,800,000 cumulative preference shares with a nominal value of € 0.10 each.

The number of ordinary shares issued and paid up at the end of the financial year amounted to 9,288,309 (2015: 8,747,544).
No cumulative preference shares have been issued.
Related to acquisitions on 2 March 2016 and on 7 September 2016 respectively 97,707 ordinary shares and 443,058 ordinary shares were issued. For further details see note 16 of the consolidated financial statements.

### Share premium reserve

The share premium reserve includes an amount of € 1,158,000 which cannot be distributed to the shareholders with a dividend tax exemption.

### Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The currency translation reserve is a legal reserve and cannot be distributed.

## Legal reserve

The legal reserve comprises capitalised product development expenses, capitalised software development expenses, the undistributed net profits of Strypes Nederland B.V. and the undistributed net profits of Intraffic B.V. This reserve cannot be distributed.

## Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

In 2016 ICT obtained treasury shares for the share participation plan for employees. In 2015 ICT obtained treasury shares for the share participation plan for employees, for the share-based payments for the Executive Board and the partial fulfilment of payment on the acquisition of Raster.

The average purchase price of the ordinary treasury shares was € 10.23 (2015: € 6.66).

On 31 December 2016 ICT owned no treasury shares.

The changes in the number of issued and outstanding ordinary shares in 2016 and 2015 are shown in the following table.

| **Treasury shares** | Number of shares | Average rate in Euros | Reserve for treasury shares (x € 1,000) | Retained earnings (x € 1,000) |
|---|---|---|---|---|
| At 31 December 2014 | - | - | - | - |
| - Purchased treasury shares in 2015 for the acquisition of Raster | 222,612 | € 6.48 | 1,443 | - |
| - Payment in shares in 2015 for the acquisition of Raster | (222,612) | € 6.58 | (1,464) | - |
| - Purchased treasury shares in 2015 for the personnel share plan | 41,463 | € 7.65 | 317 | - |
| - Repurchased treasury shares in 2015 for the personnel share plan | (41,463) | € 7.43 | (308) | - |
| - Profit transfer to retained earnings | | | 12 | (12) |
| At 31 December 2015 | - | | - | (12) |
| - Purchased treasury shares in 2016 for the personnel share plan | 30,321 | € 10.23 | 310 | - |
| - Repurchased treasury shares in 2016 for the personnel share plan | (30,321) | € 9.13 | (277) | - |
| - Loss transfer to retained earnings | | | (33) | 33 |
| At 31 December 2016 | - | | - | 33 |

## Stichting Continuïteit ICT (ICT Continuity Foundation) and preference shares

In the Articles of Association, the General Meeting has given the Company the power to issue preference shares to the Stichting Continuïteit ICT ('Stichting'). The objective of the Stichting is to safeguard the interests of the Company and its business and all stakeholders. In the event of a hostile takeover attempt, the Stichting can call in the preference shares from the Company under the option agreement entered into between the Company and the Stichting. The Stichting may subscribe for a number of preference shares equal to the number of ordinary shares of the Company that have been issued.

In the event of a hostile takeover attempt, the issuance of preference shares will enable the Executive Board to decide upon its position vis-à-vis the bidder, consider the bidder's plans, examine alternatives, and thus further safeguard the interests of the Company and its stakeholders. The current members of the board of the Stichting are Mr. H.R. Okkens, Mr. R. ter Haar, Mr. J.C.M. Schönfeld, and Mr. P.F. Plaizier. The Stichting is independent.

**Proposed profit appropriation**

ICT shall propose to the Annual General Meeting of Shareholders to be held on 10 May 2017 that a dividend be paid out for the 2016 financial year in the amount of € 0.33 per share in cash, based on the number of ordinary shares outstanding at year-end 2016. For the calculation of the proposed dividend, the realised net profit is adjusted for the non-cash amortisation amounts and the downward valuation of LogicNets. Given the request of a number of shareholders ICT will propose the payment of an optional dividend in cash or in shares.

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 29 May 2017. The dividend will be payable, in cash or in shares, on 7 June 2017.

## 10. 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.

## 11. CURRENT LIABILITIES

The other liabilities include outstanding expenses to be paid to suppliers and employees.
For the deferred acquisition consideration see note 20 of the consolidated financial statements.

## 12. NET REVENUE

Net revenue relates to management fees and other expenses recharged to group companies.

## 13. EMPLOYEE BENEFIT EXPENSES

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Supervisory Board | 150 | 140 |
| Executive Board | 1,015 | 813 |
| LTIP Key management personnel | 234 | 123 |
| *Other staff costs:* | | |
| Salaries | 186 | 647 |
| Social security contributions | 20 | 52 |
| Pension contributions | 15 | 15 |
| LTIP Employee equity participation | 43 | 41 |
| | 1,663 | 1,831 |

| **FTEs** | **2016** | 2015 |
|---|---|---|
| Average number of staff | 4 | 4 |

None of the employees were employed outside the Netherlands.

## 14. OTHER OPERATING EXPENSES

The other operating expenses item can be specified as follows:

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Car and travel cost | 54 | 32 |
| Other costs | 1,266 | 1,565 |
| | 1,320 | 1,597 |

Other costs in 2016 include € 456 thousand related to the research of potential strategic combinations and the costs mainly related to the acquisition of BMA and Nozhup (2015: € 653 thousand, related to the acquisition of Strypes and Raster).

## 15. FINANCIAL INCOME AND EXPENSES

The financial expenses comprise bank costs and interest on loans. The financial income comprised received bank interest. The 2016 financial expenses also include an amount of € 118 thousand for interest on the deferred acquisition consideration relating to BMA (2015: € nil) and € 51 thousand relating to Strypes Bulgaria (2015: € 188 thousand).

## 16. INCOME TAX EXPENSES

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| Current taxes | (2,030) | (228) |
| Deferred taxes | 2,120 | - |
| Total tax charge (relief) | 90 | (228) |

| (x € 1,000) | **2016** | | 2015 | |
|---|---|---|---|---|
| Result before taxation | 5,096 | | 3,323 | |
| Income tax based on prevailing rate, in the Netherlands 25.0% (2016: 25.0%) | 1,274 | 25% | 831 | 25% |
| *Permanent Differences:* | | | | |
| Effect of non-deductible expenses | 229 | 4% | 141 | 4% |
| Effect of result from subsidiaries, joint ventures and associates | (1,693) | -33% | (1,190) | -36% |
| Effect of non-taxable income | (10) | 0% | (10) | 0% |
| Weighted Average Applicable Tax rate | (200) | -4% | (228) | -7% |
| Deferred taxes effect liquidation ICT Germany | 290 | 6% | - | 0% |
| Income tax expense (profit) / Average effective tax rate | 90 | 2% | (228) | -7% |

Non-taxable income and non-deductible expenses represent adjustments for income and expenses not subject to taxation.

In 2014 the Dutch fiscal unity recognised a deferred tax asset of € 4,129 thousand related to the liquidation loss of ICT Germany of approximately € 16 million. In 2016 the liquidation of ICT Germany has been finalised. The liquidation resulted in a tax charge of € 290 for the Company. We refer to note 30 of the consolidated financial statements.

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. and ICT Mobile B.V., forms one single fiscal entity. Tax is calculated and recharged within the tax Group as if the group companies were paying tax on a separate return basis

## 17. AUDITOR'S FEES

For the auditor's fees, see note 32 of the consolidated financial statements.

## 18. REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

For the remuneration of the Executive Board and the Supervisory Board, please see note 24 of the consolidated financial statements.

## 19. COMMITMENTS AND CONTINGENCIES NOT INCLUDED ON THE BALANCE SHEET

With the exception of the guarantees and lease commitments, please see note 34 for this item in the consolidated financial statements.

### Guarantees

At the balance sheet date the guarantees outstanding for ICT Group N.V. amounted to € 834 thousand (2015: € 863 thousand). The guarantees outstanding as at 31 December 2016 were provided in accordance with current rental commitments. Guarantees outstanding as at 31 December 2015 were provided in accordance with rental commitments.

Under the Company's credit facility, ICT Group N.V., ICT Automatisering Nederland B.V., Improve Quality Services B.V. and ICT Nearshoring B.V. Raster Beheer, Raster Industriële Automatisering B.V., Raster Products B.V. and Buro Medische Automatisering 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.

**Rental**

| (x € 1,000) | **2016** | 2015 |
|---|---|---|
| No later than 1 year | 942 | 523 |
| Later than 1 year and no later than 5 years | 3,759 | 2,091 |
| Later than 5 years | 381 | 591 |
| Total | 5,082 | 3,205 |

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) | **2016** | 2015 |
|---|---|---|
| No later than 1 year | 53 | 19 |
| Later than 1 year and no later than 5 years | 74 | 20 |
| Later than 5 years | - | - |
| Total | 127 | 39 |

### 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 2016:

- ICT Automatisering Nederland B.V.
- Raster Beheer B.V., Raster Industriële Automatisering B.V. and Raster Products B.V.
- Improve Quality Services B.V. (since 1 January 2016)
- Cheese Maze Holland B.V. and Nozhup B.V. (since 6 September 2016).

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 tax group.

### Article 403 Statement Book 2 of the Dutch Civil Code
ICT Group N.V. is 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.

### Subordination Declaration
At the end of 2015 ICT Group N.V. had the obligation to provide ICT Software Engineering GmbH with liquidity to fulfil payment obligations to creditors and has a subordination to claims on ICT Software Engineering GmbH if required. Due to the liquidation in 2016 this obligation no longer exists at the end of 2016.

## 20. SUBSEQUENT EVENTS

The Company has evaluated events up to issuance date of these financial statements of this Annual Report and determined that no subsequent events required disclosure.

Barendrecht, 2 March 2017

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

**Supervisory Board**
*Th.J. van der Raadt (chairman)*
*F.J. Fröschl*
*D. Luthra*
*J.A. Sinoo*

# OTHER INFORMATION

- Provisions in the articles of association related to the appropriation of profit
- Stichting Continuïteit ICT
- Confirmation of independence
- Stichting Administratie Participatieplan ICT (STAK)
- Relevant events occurring after the balance sheet date
- Independent auditor's report
- Five-year financial summary

## 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

The board of directors of Stichting Continuïteit ICT consists of four independent board members, in accordance with appendix X of Book II of the Listing and Issuing Rules of Euronext Amsterdam stock exchange. The independent members are Mr. H.R. Okkens, Mr. J.C.M. Schönfeld, Mr. P.F. Plaizier and Mr. R. ter Haar.

## CONFIRMATION OF INDEPENDENCE

The Board of directors of Stichting Continuïteit ICT and the Executive Board of ICT Group N.V. jointly declare that the board members of Stichting Continuïteit ICT comply with the independence requirements, as set out in Appendix X of Book II of the Listing and Issuing rules of the Euronext Amsterdam stock exchange.

## STICHTING ADMINISTRATIE 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. On top of this discount, each employee will receive a cash bonus after three years equal to the value of one ICT share at the time for every four shares purchased at a 13.5% discount. The 13.5% discount applies to shares acquired by employees with the net amount of the annual bonus and/or a net sum amounting to one gross month's salary. These two net amounts together determine the maximum number of shares that can be acquired at a discount. Shares bought at a 13.5% discount are subject to a lock-up period of three years. Even if the employment is terminated early, this three year period will continue to apply. During this period the shares cannot be sold. The 'bonus' will be distributed if one is still in the employ of ICT after three years and will be paid in cash. If someone retires during this period, all rights will be maintained.

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 board acts as a single shareholder and represents the votes of the staff.

## RELEVANT EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Company has evaluated events up to issuance date of these financial statements of this Annual Report and determined that no subsequent events required disclosure.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of ICT Group N.V.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT 2016

### Our Opinion

We have audited the financial statements 2016 of ICT Group N.V. ("ICT" or "the Company"), based in Barendrecht.
The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The consolidated financial statements included in the Annual Report give a true and fair view of the financial position of ICT Group N.V. as at 31 December 2016, and of its results and its cash flows for 2016 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.
- The company financial statements included in the Annual Report give a true and fair view of the financial position of ICT Group N.V. as at 31 December 2016, and of its results for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### What have we audited

The consolidated financial statements comprise:
- The consolidated balance sheet as at 31 December 2016.
- The following consolidated statements for 2016: statement of total comprehensive income, changes in equity and cash flows for the year then ended.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- The Company balance sheet as at 31 December 2016.
- The Company income statement for 2016.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of ICT Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 900,000. The materiality is based on the average of 10% of result before financial income and expenses, taxes, depreciation and amortization and 1.2% of net revenues from continuing operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of the group entities (components) were performed using materiality levels determined by the judgement of the group audit team, taking into account the materiality of the consolidated financial statements as a whole and the reporting structure within the group. Component materiality did not exceed EUR 810,000 and is for certain components based on the lower statutory materiality levels.

| Materiality overview | |
|---|---|
| Materiality for the financial statements as a whole | EUR 900,000 |
| Basis for materiality | Average of 10% of result before financial income and expenses, taxes, depreciation and amortization and 1.2% of net revenues from continuing operations |
| Threshold for reporting misstatements | EUR 45,000 |

We agreed with the Supervisory Board that misstatements in excess of EUR 45,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

## Scope of the group audit

ICT Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of ICT Group N.V.

Our group audit mainly focused on 4 (significant) group components and the investment in joint venture covering the following countries: the Netherlands (4) and Bulgaria (1). Furthermore, we performed additional procedures at group level on significant areas such as goodwill and intangible assets, acquisitions and the income tax position. This resulted in a coverage of 95% of net revenues, and 94% of total assets. The remaining 5% of total net revenues and 6% of total assets results from components, none of which individually represents more than 1% of revenues or 1% of total assets.

For these remaining components, where considered necessary, we performed, amongst others, analytical procedures or specific audit procedures on certain account balances to corroborate our assessment that there are no significant risks of material misstatements.

The group audit team sent detailed instructions to all component auditors, that covered significant components and the investment in joint venture, including the relevant risks of material misstatement and set the information to be reported back to the group audit team. For all the components in scope, visited or not, periodic conference calls were held with the component auditors, local management and group management. During these visits and conference calls, amongst other, the planning, risk assessment, audit procedures performed, findings and observations reported to local management and the group audit team were, where relevant, reviewed and discussed. Where deemed necessary by the group engagement team, additional audit procedures have been performed by the components auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

## Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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 discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How the key audit matter was addressed in the audit |
|---|---|
| **Valuation of goodwill and other intangible assets** | |
| Goodwill and other intangible assets amount to respectively € 21.9 million and € 14.2 million and represent 46% of the consolidated balance sheet total at 31 December 2016. Goodwill is subject to an annual impairment test.<br><br>The value-in-use of goodwill and other intangible assets is dependent on expected future cash flows from the underlying Cash Generating Units ("CGU's") for goodwill. The impairment assessment prepared by management 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 judgment, particularly the assumptions related to the weighted average cost of capital and the perpetual growth rates.<br><br>The Company's goodwill is allocated to the CGU's ICT Netherlands, Strypes Bulgaria, Raster, BMA and Improve. | In our audit we obtained an understanding of the process in place and identified controls in the impairment assessment of ICT Group N.V. for goodwill and other intangible assets.<br><br>We assessed and challenged management's assumptions used in the impairment model with certain key assumptions as outlined in Note 8 to the consolidated financial statements.<br><br>Specifically, we assessed the cash flow projections, the Weighted Average Cost of Capital, the perpetual growth rates and the sensitivities used, with the assistance from our valuation experts, where appropriate, by looking at external market data and by assessing the historical accuracy of management's forecasting.<br><br>We also assessed the adequacy of the Company's disclosure Note 8 to the consolidated financial statements summarizing those assumptions to which the outcome of the impairment test is most sensitive. |
| **Judgment in valuation of revenue to be invoiced and revenue to be recognized on fixed price and other projects** | |
| Reference is made to notes 4.12, 4.21 and 5 of the Consolidated Financial Statements for the significant accounting principles on trade and other receivables, revenue recognition and the measurement of fixed price and other projects. Approximately 5% of the total assets and 30% of the total net revenues relate to fixed price and other contracts.<br><br>The recognition of revenue and the estimation of the outcome of fixed price and other contracts require significant management's judgment, in particular with respect to estimating the stage of completion and the expected time to completion. We identified revenue from fixed price and other contracts as a significant risk, requiring special audit consideration. In addition, significant management judgment is required to assess the expected loss when it is expected that the total project costs will exceed the project revenues in respect of fixed price and other contracts. | With involvement of our component auditors, we evaluated the significant judgments made by management, whereby we examined project documentation and discussed the status of fixed price projects under construction with management, finance and project managers of the Company.<br><br>We have also tested the relevant controls the Company designed and implemented over its process to record fixed price and other contract hours, costs and contract revenues and the calculation of the stage of completion.<br><br>We also performed test of details e.g. vouching to underlying contracts and hours incurred to assess the status of the fixed price and other projects. |

| Acquisitions | |
|---|---|
| In 2016, ICT acquired two companies (BMA and Nozhup), for a total purchase consideration of € 15.9 million. The Company prepared, where necessary, with the help of valuation specialists a purchase price allocation for these acquisitions, by which the purchase price is allocated to the assets and liabilities of the respective acquired company.<br>The acquisitions and the purchase price allocation are disclosed in note 3 of the consolidated financial statements and require significant management estimates to prepare a purchase price allocation. | In our audit of the accounting for the new acquisitions, we have obtained an understanding of the process in place and identified controls surrounding acquisition accounting of ICT Group N.V.<br><br>We assessed and evaluated the sale/purchase agreements and tested the payment of the purchase price to the sellers. An important element of our audit relates to the management's identification of the acquired assets (e.g. valuation of customer relations, order backlog and software) and liabilities (provisions, other liabilities).<br><br>We assessed this identification, including the fair values of the acquired assets and liabilities based on common valuation models, our understanding of the business of the acquired companies and the explanations and plans of the management that supported these acquisitions with the help of our valuation specialists.<br><br>As disclosed in note 3, the purchase price allocation of Nozhup is provisional. As a result, adjustments can be made in 2017 to this purchase price allocation based on new information.<br><br>Furthermore, we assessed the adequacy of the disclosures in the financial statements regarding these acquisitions. |

## Report on the other information included in the annual REPORT 2016

In addition to the financial statements and our auditor's report, the annual report contain other information that consists of:
- Financial highlights 2016
- Shareholder information
- Report of the Supervisory Board
- Report of the Executive Board
- Corporate Governance
- Other Information as required by Part 9 Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as 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 through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these 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 the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Engagement

We were appointed as auditor of ICT Group N.V. by the General Meeting of Shareholders as of the audit for the year 2012 and have operated as statutory auditor ever since that date.

## DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

### 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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible 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 EU-IFRS, 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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.
We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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 the Executive Board's' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. 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.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

We provided 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.

Amsterdam, March 2, 2017

Deloitte Accountants B.V.

Signed on the original: B.C.J. Dielissen

# FIVE-YEAR FINANCIAL SUMMARY

| | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Results (× € 1,000)** | | | | | |
| Revenue | 89,729 | 71,787 | 63,043 | 60,790 | 72,929 |
| EBITDA | 10,296 | 7,142 | 4,657 | 4,587 | (154) |
| Amortisation / depreciation / impairment | 2,924 | 1,824 | 1,502 | 3,739 | 4,469 |
| Operating profit | 7,372 | 5,318 | 3,155 | 848 | (4,623) |
| Net profit (loss) [1), 2)] | 5,006 | 3,551 | 4,934 | (1,095) | (5,327) |
| Net cash flow from operating activities | 5,058 | 6,122 | 3,805 | 4,669 | (520) |
| Dividend | 3,065 | 2,099 | 2,012 | 1,312 | - |
| **Assets (x € 1.000)** | | | | | |
| Non-current assets | 43,854 | 30,746 | 19,332 | 15,711 | 19,178 |
| Current assets | 35,296 | 27,482 | 30,100 | 30,771 | 27,835 |
| Non-current liabilities | 13,722 | 5,303 | 1,114 | 986 | 773 |
| Current liabilities | 21,719 | 17,428 | 14,345 | 15,167 | 14,694 |
| Shareholders' equity | 43,709 | 35,497 | 33,973 | 30,329 | 31,546 |
| Total assets | 79,150 | 58,228 | 49,432 | 46,482 | 47,013 |
| **Employees** | | | | | |
| FTE as at 31 December | 919 | 764 | 632 | 607 | 744 |
| Average number of FTEs | 836 | 711 | 618 | 602 | 752 |
| Revenue per employee (* € 1,000) | 107 | 101 | 102 | 101 | 97 |
| EBITDA per employee (* € 1,000) | 12 | 10 | 8 | 8 | - |
| Operating profit per employee (* € 1,000) | 9 | 7 | 5 | 1 | (6) |
| **Ratios** | | | | | |
| EBITDA/ revenue | 11.5% | 9.9% | 7.4% | 7.5% | -0.2% |
| Operating profit/revenue | 8.2% | 7.4% | 5.0% | 1.4% | -6.3% |
| Net profit (loss)/revenue [1), 2)] | 5.6% | 4.9% | 7.8% | -1.8% | -7.3% |
| Net profit (loss)/average shareholders' equity [1), 2)] | 12.6% | 10.2% | 15.3% | -3.5% | -15.4% |
| Current assets/current liabilities | 1.63 | 1.58 | 2.10 | 2.03 | 1.89 |
| Shareholders' equity/total assets | 0.55 | 0.61 | 0.69 | 0.65 | 0.67 |
| **Per share of € 0.10 (nominal)** | | | | | |
| Net profit (loss) [1), 2), 3)] | 0.56 | 0.41 | 0.56 | (0.13) | (0.61) |
| Net cash flow from operating activities [3)] | 0.56 | 0.70 | 0.43 | 0.53 | (0.06) |
| Dividend [4), 5)] | 0.33 | 0.24 | 0.23 | 0.15 | - |
| Shareholders' equity [4)] | 4.71 | 4.06 | 3.88 | 3.47 | 3.61 |
| Outstanding ordinary shares at year end | 9,288,309 | 8,747,544 | 8,747,544 | 8,747,544 | 8,747,544 |
| Average outstanding ordinary shares during the year | 8,968,516 | 8,747,544 | 8,747,544 | 8,747,544 | 8,747,544 |

1) Represents the net profit (loss) attributable to the shareholders of ICT Group N.V.
2) In 2016 the net profit includes 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) In 2016, shareholders will be offered the option: cash or shares.

# 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
Avelingen West 70, 4202 MV, Gorinchem
Rozenburglaan 1, 9727 DL, Groningen
Horsterweg 18g, 6199 AC, Maastricht Airport
Professor Dr. Dorgelolaan 30, 5613 AM, Eindhoven

ICT Nearshoring B.V.
Grasplantsoen 46, 5658 HE, Eindhoven

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

ICT Mobile B.V.
Kopenhagen 9, 2993 LL, Barendrecht

Buro Medische Automatisering B.V. and
BMA Telenatal B.V.
De Molen 1, 3994 DA, Houten

Cheese Maze Holland B.V. and
Nozhup B.V.
Wilhelminakanaal Zuid 110, 4903 RA Oosterhout

### *Joint ventures and Associates*

InTraffic B.V.
Iepenhoeve 11, 3438 MR, Nieuwegein

Greenflux Assets B.V.
Mauritskade 63, 1092 AD, Amsterdam

Strypes Nederland B.V.
Broekhuizerlaan 3, 3956 NS, Leersum

## Belgium

Raster BVBA
Hoogveld 44, 9200, Dendermonde

BMA Belux BVBA
Kloosterdreef 7, 8510, Bellegem

## Bulgaria

Strypes EOOD
Maystor Aleksi Rilets, Floor 2 10A, 1618 Sofia

Strypes Nearshoring Ltd.
Racho Dimchev Str. 8, 100 Sofia

## France

BMA France SAS
Rue du Parc de Clagny 7, 78000, Versailles

## Germany

Raster Industrielle Automatisierung GmbH
Heinz-Bäcker-Str. 34, 45356, Essen

## Poland

ICT Poland Sp. z.o.o. (in liquidation)
ul. Chmielna 26, 80-748, Gdansk

### *Joint ventures and Associates*

## US

LogicNets Inc.
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