ICF KAISER INTERNATIONAL, INC.

1993 ANNUAL REPORT

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS[1]

	1993	1992	1991	1990	1989[2]
	(In thousands, except per share data)				
Gross revenue	$678,882	$710,873	$624,976	$503,904	$297,866
Service revenue[3]	384,985	379,826	363,318	278,255	174,328
Operating income (loss)	22,744	(43,963)	33,287	22,563	13,845
Net income (loss)[4]	8,639	(40,516)	14,291	8,794	6,524
Net income (loss) per common share					
Primary	0.16	(2.25)	0.71	0.57	0.46
Fully diluted	0.16	(2.25)	0.68	0.57	0.45
Weighted average number of common shares outstanding, assuming full dilution	21,272	19,085	20,308	15,527	14,389
Total assets	295,578	318,947	357,457	237,057	140,751
Working capital	87,845	66,065	74,754	43,430	27,253
Long-term liabilities	75,602	85,675	109,820	53,019	40,440
Redeemable preferred stock	44,824	45,161	26,498	3,997	3,997
Shareholders' equity	58,521	51,151	88,839	58,503	19,595

(1) Gross revenue and service revenue for the fiscal year ended February 29, 1992, exclude businesses discontinued by the Company in fiscal 1992; the financial data for fiscal years 1989 through 1991 include results for the entire Company. In addition, in fiscal 1992, the Company adopted Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Includes the effect from June 1988 of the acquisition of ICF Kaiser Engineers.

(3) Service revenue is calculated by deducting the costs of subcontracted services and reimbursable direct costs from the gross revenue and adding the Company's share of the income of joint ventures and affiliated companies.

(4) Fiscal year 1992 reflects an after-tax charge of $52.4 million associated with the disposal and restructuring of certain businesses.

James O. Edwards
Chairman and Chief Executive Officer

Fiscal 1993 was a transition year for ICF Kaiser. We completed our strategic restructuring, returned to profitability, and positioned the Company for future growth.

With the sale of our health-policy consulting and specialty-software businesses, ICF Kaiser completed the operational restructuring we announced in July 1991. Implementing this program was difficult and at times painful. During the period, management time had to be diverted to ensure that the restructuring took place in an orderly but expeditous manner, to prepare the discontinued businesses for sale, and to negotiate the best possible prices for those businesses.

However, as a result of these efforts, ICF Kaiser is a more focused company, and one that is better organized to compete successfully in its primary markets: environment, infrastructure, industry, and energy. Within these markets, ICF Kaiser has compiled a record of consulting service, achievement in engineering and construction management, and operating profitability for many years.

Fiscal 1993 was a difficult year in the markets ICF Kaiser serves. The sluggish global economy throughout most of the year affected all of our businesses; demand in our industrial market was particularly weak. This situation has been exacerbated by the change in Administration in the United States, which has resulted in a slowdown in environmental spending, in both the public and private sectors, as new government personnel and priorities are put in place. Nevertheless, the Company increased service revenue and returned to profitability. Gross revenue derived from these markets — as well as our smaller consulting practices — totalled \$679 million in fiscal 1993. Gross revenue for the year decreased 4.5 percent from fiscal 1992, as a number of large projects were winding down or were completed during the year. Service revenue, which excludes materials and subcontracted costs, was \$385 million, compared to last year's service revenue of \$380 million. By market, ICF Kaiser's service revenue was: environment \$242 million; infrastructure \$67 million; industry \$49 million; and other markets \$27 million.

Public concern about environmental quality, the Clinton Administration's plans to increase public spending on infrastructure projects, and the need of many industrial corporations in the United States and abroad to improve production efficiencies and comply with applicable environmental regulations all make for great growth potential for ICF Kaiser.

Rebuilding Our Financial Strength

ICF Kaiser returned to profitability in fiscal 1993 on both an operating and net basis. For its fiscal year ended February 28, 1993, ICF Kaiser's operating income was \$22.7 million, versus an operating loss of \$44.0 million for the prior fiscal year. The Company reported net income of \$8.6 million and earnings per share of \$0.16 in fiscal 1993, versus a prior-year net loss of \$40.5 million (\$2.25 per share). The prior year's loss includes an after-tax charge of \$52.4 million associated with the disposal and restructuring of certain businesses.

Proceeds from the sale of discontinued businesses and other steps taken by management enabled the Company to end fiscal 1993 with a significantly stronger balance sheet. In particular, we reduced our debt outstanding by \$36 million since the first quarter of fiscal 1993, thus lowering our debt as a percentage of total capital to 42 percent.

We realize the bottom-line results for fiscal 1993 were inadequate, and we are taking actions to improve them. These actions include the redeployment of funds that were generated by the sale of businesses during the past 18 months back into ICF Kaiser's continuing operations. How rapidly and effectively we put these funds to work will have a significant impact on our short- and longer-term business performance. We will find business development opportunities to invest in, both internally and externally, to enhance ICF Kaiser's position in its markets.

Also, in order to serve our clients better, changing market conditions require that we increase our ownership of or rights to new technologies. ICF Kaiser has built its reputation on knowing the latest advancements in environmental technologies. This must be continued and broadened. In all the markets we serve, the successful engineering and construction companies of the 1990s will be those that understand and have the rights to the most advanced technologies.

In addition to building our future through investment and growth, we continually must find ways to minimize our cost of operations. Throughout the year, we constantly review our direct labor and overhead costs to ensure that they are in balance with regard to existing and expected market conditions. There are, however, other areas that are under review for possible cost-cutting, including ICF Kaiser's capital structure, which carries higher costs resulting primarily from our operational restructuring. As with our business operations, we will look for opportunities to restructure the balance sheet in an effort to lower our capital costs, facilitate business operations, and improve the Company's return to shareholders.

ICF Kaiser Is Market-Driven

ICF Kaiser sells consulting, engineering, and construction services to its primary markets of environment, infrastructure, industry, and energy. Each of these markets is different and thus requires market-specific responses.

Starting in late 1992, demand in the U.S. environmental market softened during the transition in the federal government. As would be expected, the transition to a new Administration resulted in a temporary spending slowdown as appointees were confirmed and new priorities set. This period also was used by parts of industry to delay environmental expenditures. There are many indications, however, that demand in this market will return to prior spending and growth levels.

On the federal side, the combined fiscal 1994 environmental budget requests of the U.S. Environmental Protection Agency, and the U.S. Departments of Energy (DOE) and Defense (DOD) show an increase to more than $13 billion. DOE and DOD together intend to spend more than $200 billion over the next three decades to restore the environmental integrity of military bases and weapons facilities worldwide. In this past year, ICF Kaiser generated $321 million of gross revenue from federally sponsored contracts, and we expect to increase this amount in fiscal 1994.

In the private sector, improving economic conditions and the expectation of tougher regulatory enforcement should result in an acceleration of environmental spending. ICF Kaiser is aggressively pursuing new private-sector work, both the cleanup of existing hazardous waste sites and the redesigning of production processes to minimize waste generation. Our increased marketing efforts already have brought in several important new contracts, including the remediation of a 27-acre site in Virginia.

President Clinton has raised the public's awareness of and concern for the nation's infrastructure, but he is not the first to realize the need to rebuild and expand the country's network of highways, bridges, and mass transit systems. In 1991, the federal government budgeted $151 billion to be spent through 1997 under programs mandated by the Intermodal Surface Transportation Efficiency Act (ISTEA).

ICF Kaiser's infrastructure revenue grew by 15 percent in fiscal 1993. The Company already is benefitting from ISTEA through a new contract to serve as management consultant for preliminary design of a light rail system planned for downtown Chicago. Internationally, ICF Kaiser won a $20 million contract to design and build a light rail transit line in Manila, Philippines. Also, our joint venture in Taipei, Taiwan, which is building an $18 billion, 88-kilometer rail system, was awarded a $33 million extension on its contract. ICF Kaiser is one of the few companies in the world that can engineer and build the most complex transportation, hydroelectric, and water management projects.

The market for ICF Kaiser's industrial services is built around our history in the metals and mining businesses, including steel, aluminum, and copper. Our clients in this market have been affected by low prices worldwide for most metals. We were proud, however, to win the only major U.S. copper project awarded last year — a 29-month, multimillion dollar contract to perform engineering and procurement services on a project to develop a copper concentrating plant for the Magma Nevada Mining Company.

ICF Kaiser also completed a large-scale pulverized coal injection facility for U.S. Steel which, as an operating company, will provide us with a revenue stream for more than a decade. Although demand in the industrial market may continue to be soft for some time, we see opportunities in gold mining and refining, and in environmental projects in basic industries, steel, and other minerals markets. Through Kaiser Engineers' 79-year history in mining and minerals, and its experience in designing and managing some of the largest projects in the world, ICF Kaiser is in a strong position to capitalize on that expertise when the market rebounds.

Finally, ICF Kaiser's global capabilities, which cross all market areas, continue to expand through direct investments and strategic business relationships. Currently our emphasis remains on specific countries in the Pacific Rim, Western and Eastern Europe, and, more recently, Latin America. ICF Kaiser has established a strong presence in Eastern Europe and the former Soviet republics through front-end consulting projects; this presence places us in an excellent position to compete for the larger engineering and construction projects that should develop as economies in the region strengthen.

Throughout our restructuring, and for more than two decades prior to it, ICF Kaiser has benefitted from the ideas, management skills, and dedication of its president, William C. Stitt. In April 1993, Bill resigned from the Company. His efforts and accomplishments were integral in building ICF Kaiser from a five-person operation to a worldwide consulting, engineering, and construction company.

Bill leaves behind a company with a sharper strategic focus, with greatly strengthened financial capability, and with a renewed commitment to growth. Going forward, we will work to capitalize fully on our worldwide franchise, our strong position in the growth markets of the 1990s, our access to leading-edge technologies, and our single most important asset, our employees. In July 1991, we initiated a restructuring that we explained could take two years to complete – and it has. We appreciate your support through these difficult times, and we look forward to returning ICF Kaiser to the level of double-digit growth that characterized our Company for more than 15 years.

James O. Edwards
Chairman and Chief Executive Officer

RESULTS OF OPERATIONS

Overview

ICF's net income for the year ended February 28, 1993 (fiscal 1993) was $8.6 million, or $0.16 per share, compared to a net loss of $40.5 million, or ($2.25) per share, for the year ended February 29, 1992 (fiscal 1992). Net income in fiscal 1993 was adversely impacted by a net $1.3 million pretax addition to the provision for restructuring and disposal of businesses and a $0.9 million pretax loss on the sale of ICF's minority interest in a U.K.-based engineering concern, offset by a $0.1 million net credit for the unusual items discussed in Note Q to the consolidated financial statements. Excluding the effect of these non-recurring items, net income for fiscal 1993 was $9.9 million, or $0.22 per share. In fiscal 1993, the Company completed a restructuring program begun in fiscal 1992. The loss in fiscal 1992 reflects a $73.4 million provision for restructuring and disposal of businesses ($52.4 million after tax). After excluding the effects of this provision for restructuring and disposal of businesses and the $6.3 million ($3.6 million after tax) unusual item recorded in fiscal 1992, ICF's core businesses contributed $8.3 million net income, or $0.31 per share in fiscal 1992.

In fiscal 1993, the Company successfully completed several large industrial projects. The completion of these projects enabled service revenues to reach record levels for the first half of fiscal 1993. However, in the second half of fiscal 1993, because of the completion of these projects and a slowdown in government contracting which accompanied the change in Presidential Administrations, recovery of the Company's overhead and administrative costs was lower than anticipated. In response, management performed a comprehensive review of its indirect cost structure which led to a reduction of ICF's administrative and overhead employment base by 13 percent, resulting in a one-time $0.6 million charge for severance in the fourth quarter. ICF management believes that these overhead cost reductions will allow the Company to match more closely its costs to its direct labor and revenue base, while preparing for further growth as the economy improves and the pace of government spending increases to expected levels.

Despite the aforementioned cost pressures during fiscal 1993, including the heavy periodic cost of preparing and defending its successful bid for the engineer/constructor contract at the U.S. Department of Energy's ("DOE") Hanford nuclear facility (discussed below), as well as the costs associated with completing its restructuring program, the Company was able to increase its net income, excluding the impact of unusual and other non-recurring items, in fiscal 1993 as compared to fiscal 1992. This increase ($9.9 million vs. $8.3 million) was attributed to a greater management focus on continuing businesses, reduced interest costs, and the successful completion of ICF's project to construct a large industrial facility, offset by a previously reported cost overrun on a large industrial project.

Outlook

Similar to many companies in its industry, ICF experienced the impact of slowing demand in several of its key markets in fiscal 1993. The Company nonetheless continued to win a number of new environmental, infrastructure, industrial, and energy contracts during fiscal 1993. These additions have brought ICF's backlog to approximately $1.0 billion. The renewal of the Company's engineer/constructor contract at DOE's Hanford nuclear site, which is currently under a losing bidder's protest on which the Company believes it will prevail, adds an additional $200 million to the backlog for a total of $1.2 billion. ICF's performance in fiscal 1994 will be affected by several factors: government spending on environment and infrastructure; private-sector spending on environmental cleanup; industrial spending in the basic industries served by ICF Kaiser Engineers, including steel, aluminum and minerals; and ICF's redeployment of the proceeds from the sale of its discontinued businesses. While the industrial spending is likely to improve only with a significant upturn in the prices for basic materials, there are several initiatives which could affect the other factors. These include: additional cleanup efforts at various DOE sites; significant potential spending for environmental cleanup at those military bases which are targeted for closing by the U.S. government; as well as additional spending in Eastern European and Pacific Rim countries. The prospects for near-term growth are uncertain because of the timing of the above factors and the recent sale of two income-producing businesses in fiscal 1993 (Lewin-ICF, Inc. and an interest in Acer Group Limited). As a result, the Company expects results for the first quarter of fiscal 1994, ending May 31, 1993, to be comparable to the results of the fourth quarter of fiscal 1993 (discussed below). However, the Company believes that an improving economy, the new Presidential Administration, with its public commitment to improving the environment and shoring up the nation's infrastructure, coupled with the Company's strong position in its core markets, present significant opportunities for profitable growth in the future.

Gross Revenue

Gross revenue represents services provided to customers with whom the Company has a primary contractual relationship. Included in gross revenue are costs of certain services subcontracted to third parties as well as certain other reimbursable direct project costs, such as materials procured by the Company on behalf of its customers.

	1993	Decrease	1992	Increase	1991
	(Dollars in thousands)				
Gross revenue	$678,882	(4.5%)	$710,873	13.7%	$624,976

Comparison of Fiscal 1993 to Fiscal 1992—Gross revenue was $678.9 million in fiscal 1993, a $32.0 million or 4.5% reduction from $710.9 million in fiscal 1992. This decrease in ICF's gross revenue is primarily attributable to ICF's Kaiser Engineers Australia Pty. Ltd. ("KEA") subsidiary, which is successfully winding down its natural gas liquefaction project in northwest Australia ahead of schedule ($37.5 million); the completion of a large industrial project in the first half of fiscal 1993 ($34.2 million); and the impact of several other projects nearing completion; offset by an increase in ICF's project to manage the construction of a large industrial facility ($26.6 million) and an increase in ICF's engineer/constructor services to the DOE at its Hanford site ($21.6 million).

Comparison of Fiscal 1992 to Fiscal 1991—ICF's gross revenue increased to $710.9 million in fiscal 1992 from $625.0 million for fiscal 1991. Excluding the gross revenues from those businesses discontinued in fiscal 1992 under the restructuring plan, fiscal 1991 revenues would have been $541.5 million. The $169.4 million or 31.3% increase in comparable gross revenues is partially attributable ($35 million) to the Company owning 100% of KEA in all of fiscal 1992 whereas the Company did not acquire the remaining 50% interest in KEA it did not already own until the third quarter of fiscal year 1991. Prior to this acquisition, ICF's initial 50% interest in KEA was accounted for under the equity method through the second quarter of fiscal year 1991. Additional growth in ICF's gross revenues for this period are attributable to the start-up of several large industrial projects ($116 million) and ICF's engineer/constructor services at its Hanford site ($29 million).

Service Revenue

Service revenue is derived by deducting the costs of subcontracted services and direct project costs from gross revenue and adding the Company's share of the income of joint ventures and affiliated companies. ICF believes it is appropriate to analyze operating margins and other ratios in relation to service revenue because such revenue and ratios reflect the work directly performed by the Company and because the percentage relationship between gross revenue and operating expenses can vary from period to period.

	1993	Increase	1992	Increase	1991
	(Dollars in thousands)				
Service revenue	$384,985	1.4%	$379,826	4.5%	$363,318
Percentage of gross revenue	56.7%		53.4%		58.1%

Comparison of Fiscal Year 1993 to Fiscal Year 1992—Fiscal 1993 service revenue increased slightly over fiscal 1992 service revenue (1.4%). Also, service revenue as a percentage of gross revenue increased, indicating that a greater portion of ICF's gross revenue is being provided by ICF and its personnel rather than subcontractors. The majority of the projects that were completed or neared completion in fiscal 1992 had a significant percentage of their gross revenues being generated from subcontracted work and material costs. In fiscal 1993, the service revenue on the completed projects was offset by increased environment and infrastructure-related service revenue of $9.8 million and $8.3 million, respectively.

Comparison of Fiscal Year 1992 to Fiscal Year 1991—Service revenue increased $63.0 million in fiscal 1992 over core businesses in fiscal 1991 ($316.8 million). Kaiser Engineers Hanford Company accounted for $27.3 million of this increase, while the remaining growth is attributable to internal work at other DOE facilities and private sector contracts. In addition, equity in income of joint ventures and affiliated companies, which is a component of service revenue, decreased to $6.0 million in fiscal year 1992 from $8.2 million in fiscal 1991, primarily due to a $3.3 million decrease in income from a joint venture caused by a negotiated increase in the cost of services provided to the joint venture. The decrease in earnings from this joint venture was offset by income earned on services provided to the joint venture by ICF. Service revenue as a percentage of gross revenue is lower in fiscal 1992 as compared to fiscal 1991 due to several large construction projects that were ongoing in fiscal 1992 that carried a higher percentage of subcontracted work.

Operating Expenses

	1993	1992	1991
(Expenses are expressed as a percentage of service revenue)			
Service revenues (in millions)—excluding discontinued businesses	$385.0	$379.8	$316.8
Direct cost of services and overhead	78.0%	76.7%	73.4%
Administrative and general	13.0%	14.8%	12.6%
Depreciation and amortization	2.8%	2.4%	2.2%
Costs of restructuring and disposal of businesses	0.3%	19.3%	—
Unusual items	0.0%	(1.7)%	—

As mentioned above, the Company believes that it is appropriate to analyze operating margins and other ratios in relation to service revenue because such revenue reflects the work directly performed by the Company. For comparative purposes, operating expenses as a percentage of service revenue for fiscal 1991 are computed for continuing businesses only.

Direct cost of services and overhead includes the cost to the Company of professional and administrative staff hours, including labor-related overhead costs, that are directly chargeable to client projects. The percentage of these costs to service revenue increased in fiscal 1993 because of the mix of contracts whose costs were more directly chargeable to client projects. Fiscal 1992 was higher than fiscal 1991 as a result of the increase in revenue realized from the recognition of fees and contingency reductions on two large projects.

The percentage of service revenue represented by administrative and general expenses, most of which is chargeable to client projects, decreased in fiscal 1993 as a result of a lower level of costs associated with the restructuring effort which began in fiscal 1992 and was completed in fiscal 1993.

The portion of depreciation and amortization relating to amortization of goodwill and intangibles was $3.3 million, $2.9 million, and $2.8 million in fiscal 1993, 1992, and 1991, respectively. The increase in depreciation and amortization expense in fiscal 1993 compared to fiscal 1992 was the result of a full year of amortization of certain goodwill and intangible assets acquired in fiscal 1992. At February 28, 1993, the Company had a net balance of $61.1 million of goodwill and intangible assets that are amortized over periods ranging from five to 40 years, down from $64.1 million at the end of fiscal 1992.

Fourth Quarter Results

During the quarter ended February 28, 1993, the Company successfully completed several industrial projects, including a project to construct a large industrial facility. The winding down of several industrial projects, despite the recognition of their completion fees, as well as a general slowdown in government contracting, resulted in gross and service revenue declining 4.5% and 3.5% from the third quarter to $150.9 million and $91.4 million, respectively.

ICF's operating income and net income for the quarter ended February 28, 1993, were $5.2 million and $1.5 million, respectively, or $0.01 per share. Operating income and net income were $4.6 million and $1.9 million, respectively, or $0.06 per share in the fourth quarter of fiscal 1992. Operating income in the fourth quarter of fiscal 1993 benefited from $1.4 million in unusual items (a $2.0 million adjustment to pre-acquisition contingencies offset by a $0.6 million severance charge) as well as a completion fee related to ICF's project to construct a large industrial facility. Additionally, in the fourth quarter the Company recorded a pretax loss of $0.9 million on the sale of its investment in Acer, a U.K.-based engineering firm, and a $0.4 million charge for the curtailment and settlement of a portion of KEA's defined benefit pension liability.

Interest Expense

	1993	Decrease	1992	Decrease	1991
	(Dollars in thousands)				
Interest income	$1,708		$ 1,931		$ 1,995
Interest expense	8,629		10,778		11,264
Net interest expense	$6,921	(21.8%)	$ 8,847	(4.6%)	$ 9,269

Net interest expense decreased in fiscal 1993 primarily as the result of lower prevailing interest rates and using proceeds from the sale of a health consulting subsidiary and other discontinued businesses to pay down the Company's credit facility. The sale of the health consulting subsidiary occurred on November 30, 1992. The Company also sold its minority investment in a U.K.-based engineering concern on February 21, 1993. As a result of the timing of these transactions, the Company expects fiscal 1994 interest expense to be lower than fiscal 1993 if prevailing interest rates remain stable.

Interest expense for core businesses was slightly lower in fiscal 1992 as compared to fiscal 1991 since the Company had increased borrowings under the credit facility to make several acquisitions in fiscal 1991.

Discontinued Businesses

At February 28, 1993, the Company has sold or otherwise disposed of all businesses discontinued under ICF's restructuring plan. In fiscal 1992, the Board of Directors approved management's recommendation to discontinue certain non-core businesses, resulting in a $73.4 million provision for restructuring and disposal of businesses to provide for operating losses of discontinued businesses through disposal; losses on the disposal of those businesses included in the plan at that time; and one-time restructuring charges for closing and consolidating certain operations of core businesses. In fiscal 1993, ICF increased the provision for restructuring and disposal of businesses by an additional $1.3 million to provide for the combined impact of the sale of a health consulting subsidiary determined to be outside of the Company's core businesses and the revisions to the estimates of remaining liabilities relating to discontinued businesses.

Income Tax Expense

	1993	1992	1991
	(Dollars in thousands)		
Income tax expense (benefit)	$6,255	$(13,794)	$9,727
Effective tax (benefit) rate	42.0%	(25.4%)	40.5%

The $6.3 million tax provision for fiscal 1993 differs from the statutory rate primarily as a result of state income taxes and the amortization of goodwill. In fiscal 1992, ICF adopted Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes,* effective March 1, 1991. The impact of adoption was to increase the deferred tax benefit by $6.5 million. The $13.8 million tax benefit recorded for fiscal 1992 relates to the operating losses of discontinued businesses and the available benefits from the expected disposition of these businesses, net of $8.6 million of taxes applicable to the core businesses. The overall benefit rate of 25.4% in fiscal 1992 differs from the statutory rate primarily due to differences between the tax and book basis of various assets of discontinued businesses.

Impact of New Accounting Standards

The Company will adopt Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits* ("SFAS No. 106") in the first quarter of fiscal 1994. The Company's postemployment obligation extends only to a limited group of retirees (and their spouses) who joined ICF through an acquisition and their benefits are limited to a fixed amount per employee and spouse. The Company may recognize the transition obligation immediately as a change in accounting principle or prospectively by amortizing the transition obligation over the remaining life expectancy of the covered retirees. The Company has not yet determined which method it will adopt. Preliminary estimates indicate that the transition obligation would be approximately $15 million ($9 million after tax). Substantially all employees eligible for these benefits have retired. As such, the Company's future expense under SFAS No. 106 is expected to be limited to the interest component of postemployment benefit cost, plus any amortization of the transition obligation, should ICF elect to amortize the transition obligation over the retirees' life expectancy. The Company currently recognizes the cost of such benefits as paid.

Liquidity and Capital Resources

The Company's operating activities used $16.6 million in cash in fiscal 1993 and provided $17.7 million of cash in fiscal 1992. The use of cash in fiscal 1993 and the cash provided in 1992 were primarily results of changes in deferred revenue, which were attributable to two major contracts that had significant contract advances in fiscal 1992 and were substantially complete in fiscal 1993.

ICF uses bank financing to supplement its ability to meet ongoing working capital requirements. At February 28, 1993, ICF's level of working capital had increased $21.8 million from February 29, 1992. This increase is primarily the result of the sale of businesses, offset by the reduction in ICF's long-term debt, redeemable preferred stock, and payment of preferred stock dividends.

ICF has a $116 million Revolving Credit Facility ("Credit Facility") with a consortium of banks. Principal terms include: interest based on the prime rate of interest or LIBOR; certain financial performance covenants; the granting of a security interest in the Company's and certain subsidiaries' accounts receivable and certain other general intangibles; and the pledge of the capital stock of certain subsidiaries of the Company. At February 28, 1993, ICF had $23 million of availability under the Credit Facility. The Credit Facility expires on March 31, 1994. The Company is in the process of negotiating a replacement facility with a multi-year term that the Company expects to have in place during the summer of 1993.

At February 28, 1993, ICF has $30 million of 13.5% senior subordinated notes outstanding, upon which the Company is subject to certain business and financial covenants. The subordinated notes may not be prepaid at the Company's option prior to May 15, 1996. Subsequent to that date, the Company may prepay them at a premium. Under certain circumstances, which include certain members of senior management decreasing their ownership of the Company's common stock or becoming less active in managing the Company, the subordinated notes can be required to be prepaid at a substantial premium. The resignation of ICF's President and Chief Operating Officer on April 26, 1993, potentially created such a circumstance. The holders of the subordinated notes have temporarily waived consideration of a prepayment event, and management believes a permanent accommodation will be reached with regard to this requirement within the waiver period.

Consistent with measures taken in the Company's business operations, the Company is looking for possible cost savings in its capital structure. As such, the Company will look for opportunities to restructure the balance sheet in an effort to lower our cost of capital and facilitate business operations.

During fiscal 1993, ICF completed the sale of all of its remaining discontinued operations and its interest in Acer, generating $35.7 million in cash proceeds. These proceeds were primarily used to repay indebtedness and to increase the Company's working capital position.

Management believes that given current projected levels of cash flow and operating revenues, the availability under the credit facility or replacement will be adequate to fund operations in fiscal year 1994.

Effects of Inflation

The majority of the Company's contracts are cost reimbursable and, therefore, the inflation rate in the United States, as well as in other countries in which the Company operates, generally has little impact on operating margins; however, as a professional services firm, the Company is more labor-intensive than an industrial firm. To attract and maintain the high-caliber professional staff it needs, the Company must structure its compensation programs competitively. The wage-demand effects of inflation are felt almost immediately in the Company's costs.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
ICF International, Inc.

We have audited the accompanying consolidated balance sheets of ICF International, Inc. and Subsidiaries as of February 28, 1993 and February 29, 1992 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended February 28, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICF International, Inc. and Subsidiaries as of February 28, 1993 and February 29, 1992 and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 28, 1993 in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, the Company changed its method of accounting for income taxes for the year ended February 29, 1992.

Coopers & Lybrand

Washington, D.C.
April 30, 1993

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 28, 1993	February 29, 1992
	(In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,445	$ 8,516
Contract receivables, net	160,681	152,416
Prepaid expenses and other current assets	21,503	21,095
Refundable income taxes	1,294	2,230
Deferred income taxes	12,553	14,542
Net current assets of businesses held for disposition	—	4,226
Total Current Assets	204,476	203,025
Fixed Assets		
Furniture, equipment and leasehold improvements	40,120	41,381
Less allowances for depreciation and amortization	20,440	17,730
	19,680	23,651
Other Assets		
Goodwill, net	53,896	55,791
Investments in and advances to affiliates	2,207	19,488
Due from officers and employees	1,361	1,108
Other	13,958	15,884
	71,422	92,271
	$295,578	$318,947
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 60,192	$ 66,051
Accrued salaries and employee benefits	25,804	24,501
Current portion of long-term debt	5,276	7,187
Income taxes payable	1,448	2,361
Deferred revenue	13,804	23,388
Other	10,107	13,472
Total Current Liabilities	116,631	136,960
Long-term Liabilities		
Long-term debt, less current portion	39,115	49,145
Subordinated debt	30,000	30,000
Other	6,487	6,530
	75,602	85,675
Commitments and Contingencies		
Redeemable Preferred Stock	44,824	45,161
Preferred Stock	6,900	6,900
Common Stock, par value $.01 per share:		
Authorized—90,000,000 shares		
Issued and outstanding—21,303,807 and 18,270,652 shares	213	182
Additional Paid-in Capital	65,040	64,382
Notes Receivable Related to Common Stock	(2,725)	(3,387)
Retained Earnings (Deficit)	(4,206)	(7,552)
Cumulative Translation Adjustment	(1,701)	(1,041)
ESOP Guaranteed Bank Loan	(5,000)	(8,333)
	$295,578	$318,947

See notes to consolidated financial statements.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended February 28, 1993	February 29, 1992	February 28, 1991
	(In thousands, except per share amounts)		
Revenue			
Gross revenue	$678,882	$710,873	$624,976
Subcontract and direct material costs	(299,606)	(337,056)	(269,846)
Equity in income of joint ventures and affiliated companies	5,709	6,009	8,188
Service revenue	384,985	379,826	363,318
Operating expenses			
Direct cost of services and overhead	300,317	291,237	269,020
Administrative and general expenses	49,872	56,339	49,573
Depreciation and amortization	10,766	9,159	11,438
Costs of restructuring and disposal of businesses, net	1,336	73,354	—
Unusual items, net	(50)	(6,300)	—
Operating income (loss)	22,744	(43,963)	33,287
Other income (expense)			
Loss on sale of investment	(929)	—	—
Interest income	1,708	1,931	1,995
Interest expense—core businesses	(8,629)	(10,778)	(11,264)
Interest expense—discontinued businesses	—	(1,500)	—
Income (loss) before income taxes	14,894	(54,310)	24,018
Income tax provision (benefit)	6,255	(13,794)	9,727
Net income (loss)	8,639	(40,516)	14,291
Preferred stock dividends	5,026	2,203	857
Net income (loss) available for common shareholders	$ 3,613	$ (42,719)	$ 13,434
Net income (loss) per common share			
Primary	$ 0.16	$ (2.25)	$ 0.71
Fully diluted	$ 0.16	$ (2.25)	$ 0.68

See notes to consolidated financial statements.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Year Ended February 28, 1993	February 29, 1992	February 28, 1991
		(In thousands)	
Series 1 Junior Convertible Preferred Stock			
Balance at beginning of year	$ 6,900	$ 6,900	$ —
Issuance of 69 shares	—	—	6,900
Balance at end of year	$ 6,900	$ 6,900	$ 6,900
Common Stock			
Balance at beginning of year	$ 182	$ 185	$ 174
Issuance of shares (105,740 in 1993, 1,131,620 in 1992 and 281,852 in 1991)	1	11	3
Repurchase of shares (44,434 in 1993, 954,961 in 1992 and 1,342,788 in 1991)	0	(9)	(13)
Issuance of shares to benefit plans (1,344,123 in 1992 and 666,666 in 1991)	—	13	6
Issuance of shares in connection with acquisitions (1,222,826 in 1992 and 1,494,980 in 1991)	—	12	15
Exchange of 2,975,542 shares of Class A Common Stock for Series 3 Preferred Stock	—	(30)	—
Conversion of Series 3 Preferred Stock into 2,971,849 shares	30	—	—
Balance at end of year	$ 213	$ 182	$ 185
Additional Paid-in Capital			
Balance at beginning of year	$ 64,382	$ 55,358	$ 40,780
Increase in connection with issuances	619	5,541	2,771
Decrease in connection with repurchases	(354)	(15,169)	(14,950)
Increase in connection with acquisitions	—	6,789	20,337
Increase in connection with issuances to benefit plans	—	10,376	6,251
Tax effect from the exercise of non-qualified stock options	559	983	—
Other	(166)	504	169
Balance at end of year	$ 65,040	$ 64,382	$ 55,358
Notes Receivable Related to Common Stock			
Balance at beginning of year	$ (3,387)	$ (911)	$ (544)
Common stock issued in exchange for notes receivable	—	(2,476)	(367)
Payments received on notes receivable	662	—	—
Balance at end of year	$ (2,725)	$ (3,387)	$ (911)
Retained Earnings (Deficit)			
Balance at beginning of year	$ (7,552)	$ 35,380	$ 21,978
Net income (loss)	8,639	(40,516)	14,291
Preferred stock dividends	(5,026)	(2,203)	(857)
Preferred stock accretion	(267)	(213)	—
Adjustment for pooled companies	—	—	(32)
Balance at end of year	$ (4,206)	$ (7,552)	$ 35,380
Cumulative Translation Adjustment			
Balance at beginning of year	$ (1,041)	$ (260)	$ —
Current year adjustment	(660)	(781)	(260)
Balance at end of year	$ (1,701)	$ (1,041)	$ (260)
ESOP Guaranteed Bank Loan			
Balance at beginning of year	$ (8,333)	$ (7,813)	$ (4,429)
(Increase) decrease in loan balance	3,333	(520)	(3,384)
Balance at end of year	$ (5,000)	$ (8,333)	$ (7,813)

See notes to consolidated financial statements.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended February 28, 1993	February 29, 1992	February 28, 1991
		(In thousands)	
Operating Activities			
Net income (loss)	$ 8,639	$ (40,516)	$ 14,291
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,766	9,159	11,438
Provision for losses on accounts receivable	2,202	4,359	1,667
Provision for deferred income taxes	4,311	(13,925)	(4,219)
Earnings (in excess of) less than cash distributions from joint ventures	(3,690)	(1,539)	876
Loss on sale of investment	929	—	—
Increase (decrease) in provision for restructuring and disposal of businesses, net of cash	(6,426)	52,289	—
Unusual items	(50)	(6,300)	—
Changes in operating assets and liabilities related to operating activities, net of dispositions:			
Contract receivables	(15,263)	(23,017)	(24,091)
Prepaid expenses and other current assets	2,655	(1,558)	(4,936)
Other assets	(257)	1,532	(16,452)
Accounts payable and accrued expenses	(8,622)	31,222	3,496
Income taxes payable	6	(3,522)	4,400
Deferred revenue	(9,251)	13,898	2,623
Other liabilities	(2,505)	(4,409)	(4,835)
Net Cash Provided by (Used in) Operating Activities	(16,556)	17,673	(15,742)
Investing Activities			
Sales of subsidiaries and affiliates	35,695	3,965	—
Investments in subsidiaries and affiliates, net of cash	(1,146)	(2,515)	(21,365)
Purchases of fixed assets, net	(4,638)	(3,644)	(5,629)
Other investing activities	387	258	(502)
Net Cash Provided by (Used in) Investing Activities	30,298	(1,936)	(27,496)
Financing Activities			
Proceeds from borrowings	34,357	35,108	78,137
Principal payments	(42,965)	(58,925)	(57,384)
Proceeds from (uses in) common stock transactions	130	(7,425)	(5,410)
Proceeds from sale of redeemable preferred stock	—	19,500	23,470
Proceeds from sale of Series 1 Junior Convertible Preferred Stock	—	—	6,900
Redemption of redeemable preferred stock	(799)	(800)	(799)
Preferred stock dividends	(3,876)	(3,283)	(804)
Net Cash Provided by (Used in) Financing Activities	(13,153)	(15,825)	44,110
Effect of Exchange Rate Changes on Cash	(660)	(781)	(260)
Increase (Decrease) in Cash and Cash Equivalents	(71)	(869)	612
Cash and Cash Equivalents at Beginning of Period	8,516	9,385	8,773
Cash and Cash Equivalents at End of Period	$ 8,445	$ 8,516	$ 9,385
Supplemental Information:			
Cash payments for interest	9,447	12,313	10,805
Cash payments (refunds) for income taxes	(416)	7,219	7,120
Increase (decrease) of ESOP guaranteed bank loan	(3,333)	520	3,384
Common stock issued to retirement plan	—	5,787	—

See notes to consolidated financial statements.

NOTE A—ORGANIZATION

ICF International, Inc. ("ICF" or the "Company") was formed on October 19, 1987, as the holding company for ICF Incorporated and the family of companies developed around ICF Incorporated since its inception (1969). These companies provide consulting, engineering, and program and construction management services primarily to the environmental, infrastructure, industrial, and energy markets both in the United States and abroad.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include all majority-owned subsidiaries of ICF. Investments in joint ventures and affiliated companies are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated. As discussed in Note C, the consolidated financial statements reflect a provision related to the restructuring and disposal of certain businesses. The disposal of businesses under the restructuring program was completed in fiscal 1993. At February 29, 1992, the net current assets of the businesses discontinued under the restructuring plan are separately reflected as a component of current assets and the estimated net realizable value of the non-current assets of these businesses, net of a provision for future operating losses and other restructuring provisions, is reflected as a component of other long-term assets. The costs of restructuring and disposal of businesses include the net of revenue and operating expenses of the discontinued businesses and estimated future losses of such businesses.

Shareholders' Equity: On June 27, 1992, the shareholders adopted amendments to ICF's Certificate of Incorporation which reclassified all of the Class B Common Stock authorized, issued, and outstanding at that time into shares of Class A Common Stock, thereby placing all of ICF's common stock into a single class, which was renamed "Common Stock". The accompanying financial statements reflect the combination of the 7,670,529 shares of Class B Common Stock issued and outstanding on June 27, 1992 into Class A Common Stock as if the reclassification and renaming had occurred at the beginning of the periods presented. There were 9,925,811 shares of Class A and 8,344,841 shares of Class B issued and outstanding at February 29, 1992. Following implementation of these amendments, the then-outstanding shares of Series 3 Junior Convertible Preferred Stock automatically converted into 2,799,523 shares of ICF Common Stock.

Revenue Recognition: Revenue is recorded on cost-type contracts as costs are incurred. Revenue on time-and-materials contracts is recognized to the extent of billable rates times hours delivered plus materials expense incurred. Long-term fixed-price contracts generally are accounted for under percentage-of-completion methods, and revenue includes a proportion of the earnings expected to be realized in the ratio that costs incurred bear to estimated total costs.

Foreign Currency Translation: Results of operations for foreign entities are translated using the average exchange rates during the period. Assets and liabilities are translated to U. S. dollars using the exchange rate in effect at the balance sheet date. Resulting translation adjustments are reflected in shareholders' equity as cumulative translation adjustment.

Cash and Cash Equivalents: ICF considers all highly liquid financial instruments purchased with maturities of three months or less to be cash equivalents. Other current assets include $4,606,000 of restricted cash and short-term investments which primarily supports a letter of credit for one of ICF's subsidiaries.

Statement of Cash Flows: The consolidated statements of cash flows are prepared on a basis which separately reflects transactions related to the discontinued businesses. Included in adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities are non-cash expenses of the continuing businesses and the non-cash activity related to the provision for restructuring and disposal of businesses.

Fixed Assets: Furniture and equipment are carried at cost, or assigned value if acquired through a purchase of a business, and are depreciated using the straight-line method over their estimated useful lives ranging from three to ten years. Leasehold improvements are carried at cost and are amortized using the straight-line method over the remaining lease term.

Goodwill: Goodwill represents the excess of cost over the fair value of the net assets of acquired businesses and is amortized using the straight-line method over periods ranging from five to forty years. Accumulated amortization was $7,147,000 and $5,584,000 at February 28, 1993 and February 29, 1992, respectively.

Income Taxes: ICF uses the accrual method for income tax reporting purposes. Deferred income taxes are provided using the liability method on temporary differences between financial reporting and income tax reporting, which primarily relate to reserves for adjustments and allowances. If necessary, management records a valuation allowance for deferred tax assets that may not be realizable. ICF adopted Statement of

Financial Accounting Standards No. 109, *Accounting for Income Taxes,* ("SFAS No. 109"), at the beginning of fiscal 1992 (see Note J).

Post-Employment Benefits: ICF recognizes the cost of benefit programs, which primarily provide certain supplemental health benefits during retirement, when paid. These benefit programs, which are limited to a fixed monthly amount per employee and spouse, pertain only to a particular group of employees who joined ICF through an acquisition and are not available to all employees. $1,695,000, $1,418,000 and $1,618,000 have been included in expense in fiscal years 1993, 1992 and 1991, respectively, related to these programs. ICF will adopt Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions,* in fiscal 1994. Upon adoption, the Company may recognize the transition obligation immediately as the cumulative effect of an accounting change or on a prospective basis by amortizing the transition obligation to expense over the remaining life expectancy of covered retirees. The Company has not determined which method it will adopt. Preliminary estimates indicate that the transition obligation will be approximately $15 million ($9 million after-tax).

Net Income (Loss) Per Common Share: Net income (loss) per common share is computed using net income available to common shareholders, as adjusted under the modified treasury stock method, and the weighted average number of common stock and common stock equivalents outstanding during the year. Common stock equivalents include stock options and warrants and the potential conversion of convertible preferred stock. For fiscal 1993 and 1992, the adjustments required by the modified treasury stock method to net income (loss) available for common shareholders and the impact of common stock equivalents on the weighted average number of shares were anti-dilutive and therefore excluded from earnings per share computations. In computing earnings per share, net income (loss) available to common shareholders is adjusted for the amortization of discounts on senior preferred stock. Primary earnings per share was based on 21,272,000, 19,085,000, and 19,289,000 shares in fiscal years 1993, 1992, and 1991, respectively, and fully diluted earnings per share was based on 21,272,000, 19,085,000, and 20,308,000 shares in fiscal years 1993, 1992, and 1991, respectively.

Concentrations of Credit Risk: The Company maintains cash balances primarily in overnight Eurodollar deposits and bank certificates of deposit. Short-term investments are U.S. Government securities having maturities of less than one year. ICF grants uncollateralized credit to its customers. A large portion of ICF's receivables are from the U.S. government (See Note E). In order to mitigate its credit risk to commercial customers, when practical, ICF obtains advance funding of costs for industrial construction work.

Reclassification: Certain items in the fiscal 1992 and 1991 financial statements have been reclassified to conform to the fiscal 1993 presentation.

NOTE C—RESTRUCTURING AND DISPOSAL OF BUSINESSES

In fiscal 1993, ICF completed its disposal of non-core businesses under a restructuring plan which began in the first quarter of fiscal 1992. The plan provided for the sale, liquidation, or other disposition of certain businesses outside of the Company's core businesses, and the consolidation of certain operations within the core businesses. The core businesses primarily provide a broad range of consulting, engineering, and program and construction management services in the environmental, infrastructure, industrial, and energy markets. The Company's non-core businesses disposed of under the plan included ICF subsidiaries providing pharmaceutical industry research, health communications and consulting services, geophysical/seismic data processing services, and systems integration services. The original plan was modified in fiscal 1993 to provide for the sale of a health consulting business determined to be outside the Company's core businesses and to revise estimates of potential liabilities related to disposed businesses. The modification to the restructuring plan resulted in a net $1,336,000 charge in fiscal 1993 since the gain on the sale of the health consulting business was offset by revisions to the estimates of remaining potential liabilities relating to discontinued businesses.

The charge for the cost of restructuring and disposal of businesses recorded in fiscal 1992 was $73.4 million ($52.4 million after tax), which provided for operating losses of discontinued businesses and losses on the disposal of those businesses included in the plan at that time, severance and other restructuring costs. In fiscal 1992, the Company allocated interest expense related to discontinued businesses on the accompanying statement of operations based on the imputed reduction in interest cost from the assumed sale of the discontinued businesses.

NOTE D—ACQUISITIONS

All of the businesses acquired by the Company during the three year period ended February 28, 1993 were treated as purchases for financial reporting purposes. Accordingly, the consolidated statements of operations include the operations of the acquired companies from the date of acquisition. The excess of the purchase price over the fair value of the assets and liabilities for these transactions is reflected as goodwill in the accompanying balance sheet.

In July 1990, ICF acquired all of the outstanding stock of Kaiser Engineers Australia Pty. Ltd. ("KEA") that it did not already own for $10.5 million paid in the form of 617,500 shares of ICF Common Stock. Prior to this purchase, the Company had a 50 percent interest in KEA. In June 1991, in accordance with the provisions of the agreement, ICF repurchased these shares for $10.5 million. The Company's proportionate share of the fair value of the assets acquired and liabilities assumed was $12,372,000 and $7,833,000, respectively.

NOTE E—CONTRACT RECEIVABLES

	February 28, 1993	February 29, 1992
	(in thousands)	
U.S. government agencies:		
Currently due	$ 28,563	$ 30,374
Retention	2,182	2,383
Unbilled	28,285	26,864
	59,030	59,621
Commercial clients and state and municipal governments:		
Currently due	73,539	78,802
Retention	9,590	6,834
Unbilled	27,499	16,520
	110,628	102,156
	169,658	161,777
Less allowances for uncollectible receivables and other adjustments	8,977	9,361
	$160,681	$152,416

U.S. government receivables arise from U.S. government prime contracts and subcontracts. Unbilled receivables result from revenues which have been earned but were not billed as of the end of the year. The unbilled receivables can be invoiced at contractually defined intervals upon completion of cost-type contracts for government agencies, completion of federal government overhead audits, upon attaining certain milestones under fixed-price contracts, or upon completion of construction on certain projects. Generally, retention is not expected to be realized within one year; consistent with industry practice, these receivables are classified as current. Management anticipates that the remaining unbilled receivables at February 28, 1993, will be substantially billed and collected in fiscal 1994.

NOTE F—JOINT VENTURES AND AFFILIATED COMPANIES

ICF has ownership interests ranging from 20% to 50% in certain joint ventures and affiliated companies that are engaged in the same general business as the Company. ICF's investments in and advances to these joint ventures and affiliated companies is summarized as follows (in thousands):

	Ownership Interest at February 28, 1993	February 28, 1993	February 29, 1992
LIFAC North America	50%	$1,914	$ 1,212
KJK Joint Venture	33%	1,735	(744)
American Transit Consultants, Inc.	33%	(883)	(291)
Acer Group Limited	—	—	17,846
Other	20% to 50%	1,425	1,907
		4,191	19,930
Less amounts classified within current assets		1,984	442
		$2,207	$19,488

In February 1993, ICF sold its investment in Acer Group Limited for $17,250,000 resulting in a $929,000 pretax loss.

Combined summarized unaudited financial information of all of ICF's joint ventures and affiliated companies is as follows (in thousands):

	February 28, 1993	February 29, 1992	February 28, 1991
Current assets	$ 22,466	$128,011	$126,335
Non-current assets	20,761	32,788	45,245
Current liabilities	20,630	105,271	101,415
Non-current liabilities	—	28,323	28,287
Gross revenue	226,944	442,142	336,228
Net income	17,471	16,940	25,183

NOTE G—INDEBTEDNESS

ICF's indebtedness is as follows:

	February 28, 1993	February 29, 1992
	(in thousands)	
Revolving credit facility, average interest rate of 6.8% in 1993 and 8.7% in 1992	$35,000	$43,099
ESOP guaranteed notes, average interest rate of 7.2% in 1993 and 8.8% in 1992	5,000	8,333
Notes payable to current and former shareholders, principal and interest at varying rates and installments through February 1996	748	1,958
Other notes, principal and interest at varying rates and installments through February 2010	3,643	2,942
Total	44,391	56,332
Less current maturities	5,276	7,187
Long-term debt	$39,115	$49,145

Scheduled maturities of long-term debt outstanding at February 28, 1993, are as follows: $5,276,000 in fiscal 1994, $37,821,000 in fiscal 1995, $663,000 in fiscal 1996, $40,000 in fiscal 1997, $32,000 in fiscal 1998 and $559,000 thereafter.

At February 28, 1993, ICF's principal working capital financing was a $116 million total revolving credit line provided by a consortium of banks. The same group of banks also provide ICF with an Employee Stock Ownership Plan ("ESOP") credit facility (together, the "Credit Facility") of which $5 million is outstanding at February 28, 1993. The margin on the interest payable under the Credit Facility decreases in future periods upon the achievement of certain levels of tangible net worth. The Company and certain of its subsidiaries, which are guarantors of the Credit Facility, granted the consortium of banks a security interest in accounts receivable and certain other general intangibles and pledged the capital stock of certain subsidiaries. The Credit Facility restricts the payment of cash dividends and requires the maintenance of specified financial ratios, levels of working capital, and levels of tangible net worth. The Credit Facility expires on March 31, 1994. At February 28, 1993, ICF had $23 million of available credit under the Credit Facility.

At February 28, 1993, the Company's ESOP owned 2,656,084 shares of ICF Common Stock, a percentage of which secure the ESOP portion of the Credit Facility. These shares were purchased from the proceeds of Company contributions and the ESOP portion of the Credit Facility. ICF has guaranteed the ESOP portion of the Credit Facility and is obligated to contribute sufficient cash to the ESOP trust to repay this loan. As such, the ESOP loan is reflected in the Company's long-term debt with a corresponding reduction in equity.

NOTE H—SUBORDINATED DEBT

ICF has outstanding $30,000,000 of 13.5% senior subordinated notes ("Subordinated Notes") and detachable common stock purchase warrants expiring May 15, 1999 for the purchase of 1,801,681 shares of ICF Common Stock. The Subordinated Notes require interest payments semi-annually at 13.5% of the outstanding balance and five annual principal payments of $4.5 million beginning May 15, 1994, with the remaining $7.5 million principal due May 15, 1999. The obligations of ICF are guaranteed by certain subsidiaries of ICF ("Guarantors"). These obligations of the Company and the Guarantors are subordinate to their obligations under the Credit Facility. The warrants sold in connection with the Subordinated Notes are exercisable at any time for shares of ICF Common Stock at $6.91 per share. Additional warrants may be issued under certain anti-dilution provisions.

In connection with the issuance of the Subordinated Notes, ICF and the Guarantors agreed to certain business and financial covenants including: restrictions on indebtedness, leases, dividends, and certain types of investments and asset sales; and the maintenance of certain financial ratios, including adjusted net worth at increasing levels over time. The Subordinated Notes may not be prepaid at the Company's option prior to May 15, 1996. Subsequent to that date, the Company may prepay the Subordinated Notes at a premium. Under certain circumstances, which include certain members of senior management decreasing their ownership of the Company's common stock or becoming less active in managing the Company, the Subordinated Notes are required to be prepaid with a substantial premium. ICF's President and Chief Operating Officer resigned on April 26, 1993, which potentially creates such a circumstance. The holders of the Subordinated Notes have temporarily waived the consideration of a prepayment event, and management believes a permanent accommodation will be reached with regard to this requirement during the waiver period.

NOTE I—CONTINGENCIES

As a normal incident of the nature of business in which the Company is engaged, various claims or charges are asserted and litigation commenced against the Company arising from or related to properties, injuries to persons and breaches of contract, as well as claims related to acquisitions and dispositions. Claimed amounts may not bear any reasonable relationship to the merits of the claim or to a final court award. In the opinion of management, an adequate reserve has been provided for final judgments, if any, in excess of insurance coverage, which might be rendered against the Company in such litigation.

The Company may from time to time be, either individually or in conjunction with other government contractors operating in similar types of businesses, involved in U.S. government investigations for alleged violations of procurement or other federal laws and regulations. The Company currently is the subject of a number of U.S. government investigations and is cooperating with the responsible government agencies involved. No charges are presently known to have been filed against the Company by these agencies. The Company is unable to predict the outcome of the investigations in which it is currently involved. Management does not believe that there will be any material adverse effect on the Company's financial position as a result of these investigations.

The Company has a substantial number of U.S. government contracts, the costs of which are subject to audit by the U.S. government. In one such audit, the government has asserted that certain costs claimed as reimbursable under government contracts, were not allocated in accordance with government cost accounting standards. Management believes that the potential effect of disallowed costs, if any, for the periods currently under audit and for periods not yet audited has been adequately provided for and will not have a material adverse effect on the Company's financial position.

ICF had outstanding letters of credit in the amount of $32.6 million at February 28, 1993, principally in support of performance guarantees under certain contracts. ICF is also the guarantor of several leasing arrangements involving U.S. government agencies and a former ICF subsidiary. As of February 28, 1993, these leases totaled $8.0 million with expiration dates running through April 1997.

NOTE J—INCOME TAXES

The components of earnings (loss) before income taxes and the related provision (benefit) for income taxes is as follows (in thousands):

	February 28, 1993	February 29, 1992	February 28, 1991
Earnings (loss) before income taxes:			
Domestic	$13,362	$(60,058)	$15,799
Foreign	1,532	5,748	8,219
	$14,894	$(54,310)	$24,018
Provision (benefit) for income taxes:			
Federal:			
Current	$ 1,074	$ (2,041)	$ 7,952
Deferred	3,517	(11,261)	(3,307)
	4,591	(13,302)	4,645
State:			
Current	420	(189)	1,921
Deferred	794	(2,664)	(912)
	1,214	(2,853)	1,009
Foreign:			
Current	450	2,361	4,073
	$ 6,255	$(13,794)	$ 9,727

The tax effect of the principal significant temporary differences and carryforwards that give rise to the Company's deferred tax asset is as follows (in thousands):

	February 28, 1993	February 29, 1992
Bad debt reserve	$ 4,141	$ 3,149
Vacation accrual	2,991	2,995
Contract loss reserve	863	1,536
Insurance reserves	1,368	988
Incentive compensation accrual	1,047	821
Tax operating loss carryforwards	—	3,185
Tax credit carryforwards	1,247	1,400
Other	896	468
Total deferred tax benefit	$12,553	$14,542

The effective income tax (benefit) rate varied from the federal statutory income tax rate over the last three years because of the following differences:

	February 28, 1993	February 29, 1992	February 28, 1991
Statutory tax rate (benefit)	34.0%	(34.0%)	34.0%
Changes in tax rate (benefit) from:			
Differences between book and tax basis of businesses sold	(3.4)	8.6	—
State income taxes	5.4	(1.6)	2.8
Goodwill amortization	5.3	2.6	5.0
Foreign taxes	(1.4)	0.3	(1.5)
Other	2.1	(1.3)	0.2
	8.0	8.6	6.5
	42.0%	(25.4%)	40.5%

In fiscal 1993, ICF reached a favorable settlement with the Internal Revenue Service ("IRS") on the examination of ICF Kaiser Engineers Group, Inc's. ("KEGI") income tax returns for 1977-1986. The IRS had previously completed its review of KEGI's 1987 and 1988 income tax returns without adjustment. As such, all years through 1988 are closed. In fiscal 1992, a foreign tax audit of a KEGI-controlled foreign corporation was resolved favorably for KEGI. These resolutions allowed the Company to adjust a portion of the amounts previously provided for in connection with the acquisition of KEGI and its subsidiaries. The resolution of these pre-acquisition contingencies has been reflected in unusual items in the accompanying statements of operations for fiscal 1993 and 1992 (see Note Q). Also, in fiscal 1993 ICF reached an agreement with a former subsidiary to retain their net operating losses, which favorably reduced the effect of differences between the book and tax basis of the Company.

Carryforwards of net operating losses, business credits, capital losses and foreign tax credits of acquired companies related to periods prior to their acquisition are greatly limited under Section 382 of the Internal Revenue Code. These carryforwards, to the extent utilized in the future, if any, will be treated as a reduction of goodwill.

As discussed in Note B, ICF adopted SFAS No. 109 effective March 1, 1991. The impact to ICF of adopting SFAS No. 109 in fiscal 1992 was to increase the deferred tax benefit by $6.5 million. There was no cumulative impact resulting from the adoption of SFAS No. 109 as of the beginning of fiscal 1992, since all of the items giving rise to the additional benefit occurred in fiscal 1992, namely the costs associated with the restructuring.

NOTE K—LEASES

Future minimum payments on noncancelable operating leases for office space, and on other noncancelable operating leases with initial or remaining terms in excess of one year, were as follows on February 28, 1993 (in thousands):

Year Ended February 28	Operating Leases
1994	$ 27,535
1995	24,146
1996	18,738
1997	15,816
1998	12,674
Thereafter	48,285
	$147,194

The total rental expense for all operating leases was $31,567,000, $32,582,000 and $28,213,000 in fiscal years 1993, 1992 and 1991, respectively. Sublease rental income was $1,435,000, $1,079,000 and $1,243,000 in fiscal years 1993, 1992 and 1991, respectively. Minimum future sublease rentals to be received under noncancelable subleases during fiscal 1994 are approximately $2,276,000.

NOTE L—PREFERRED STOCK

Preferred Stock of the Company is as follows:

	February 28, 1993	February 29, 1992
	(in thousands)	
Redeemable Preferred Stock (of Subsidiary) par value $0.01 per share; liquidation value $21,280,000; authorized 3,500,000 shares; issued and outstanding—1,400,000 and 2,100,000 shares	$ 1,599	$ 2,398
Series 2C Senior Preferred Stock, par value $0.01 per share; liquidation value $25,000,000; 250 shares designated, issued and outstanding	25,000	25,000
Less unamortized discount, warrant value, and issue costs	(984)	(1,342)
	24,016	23,658
Series 2D Senior Preferred Stock, par value $0.01 per share; liquidation value $20,000,000; 200 shares designated, issued and outstanding	20,000	20,000
Less unamortized discount, warrant value, and issue costs	(791)	(895)
	19,209	19,105
Redeemable Preferred Stock	$44,824	$45,161
Series 1 Junior Convertible Preferred Stock, par value $0.01 per share; liquidation value $20,000,000; designated 200 shares; issued and outstanding — 69 shares	$ 6,900	$ 6,900
Series 4 Junior Preferred Stock, par value $0.01 per share; liquidation value $500,000; designated 500,000; no shares outstanding (see Note M)	—	—
Preferred Stock	$ 6,900	$ 6,900

Redeemable Preferred Stock (of Subsidiary): In connection with the acquisition of KEGI, 3,500,000 shares of KEGI Series 1 Redeemable Preferred Stock were issued to the KEGI Employee Stock Plan Trust in partial consideration for ICF's purchase of all of the outstanding shares of Series A and Series P. Preferred Stock of KEGI. Dividends on these shares are $0.0685 per share per annum noncumulative, payable annually. 700,000 shares were redeemed during each of the fiscal years 1993, 1992 and 1991. Two additional redemptions are scheduled for September 30, 1993 and 1994. These shares are callable by ICF at any time through September 1994, at a price of $1.0817 per share as of February 28, 1993, and thereafter at a price adjusted to maintain a specified net present value.

Senior Preferred Stock: In fiscal 1992, ICF issued 250 shares of Series 2C Senior Preferred Stock (the "Series 2C Preferred Stock") with five-year detachable warrants expiring in December 1995 (the "Series 2C Warrants") in exchange for 250 shares of Series 2A Senior Preferred Stock with five-year detachable warrants. The Series 2C Warrants may be exercised for 2,976,190 shares of ICF Common Stock at an exercise price of $8.40 per share.

In conjunction with the issuance of the Series 2C Preferred Stock and Series 2C Warrants, ICF also issued 200 shares of Series 2D Senior Preferred Stock (the "Series 2D Preferred Stock") together with five-year detachable warrants expiring in January 1997 (the "Series 2D Warrants") for a price of $20,000,000 (less a discount of $100,000). The Series 2D Warrants may be exercised for 2,680,952 shares of ICF Common Stock at an exercise price of $8.40 per share. Of the net price of $19,900,000, $400,000 was allocated to the value of the warrants and $19,500,000 was allocated to the stock.

Dividends on both the Series 2C Preferred Stock and the Series 2D Preferred Stock are $9,750 per share per annum, cumulative. Each of the shares has a liquidation preference of $100,000 ($45 million in aggregate). The issues carry voting rights equal to 2,173,913 and 2,380,952 shares of ICF Common Stock, respectively. The Series 2C Preferred Stock and the Series 2D Preferred Stock may be redeemed at ICF's option at 106.25% of the original price and are subject to mandatory redemption at liquidation value on December 20, 1995, and January 13, 1997, respectively. Additional warrants may be issued under certain anti-dilution provisions contained in the related agreements.

Series 1 Junior Convertible Preferred Stock: In July 1990, the Board designated 200 shares of preferred stock as Series 1 Junior Convertible Preferred Stock. Dividends on these shares are $9,250 per share per annum, cumulative, payable quarterly. Each of the shares has a liquidation preference of $100,000 ($20,000,000 in the aggregate, assuming all of the shares are issued); is convertible into 6,667 shares of ICF Common Stock; and is entitled to one vote per share of ICF Common Stock into which it is convertible. In addition, upon their issuance these shares were callable by the Company at a price of $109,250 per share; thereafter, these shares are callable at a price declining 1 percent per year to $100,000 per share on and after August 31, 2001.

NOTE M—COMMON STOCK

Notes Receivable Related to Common Stock: Notes receivable related to ICF Common Stock pertain to the issuance of ICF Common Stock in exchange for promissory notes from certain members of senior management in accordance with their compensation agreements. The notes are secured by shares of ICF Common Stock.

Shareholder Rights Plan: In fiscal 1992, the Board created a Shareholder Rights Plan ("Rights Plan"), which is designed to provide the Board with the ability to negotiate with a person or group that might, in the future, make an unsolicited attempt to acquire control of ICF, whether through the accumulation of shares in the open market or through a tender offer which does not offer an adequate price. The Rights Plan provides for one Right ("Right") for each outstanding share of ICF Common Stock and each share of ICF Common Stock into which the Series 1 Preferred Stock is convertible. Each Right entitles the holder to purchase 1/100 of a share of Series 4 Junior Preferred Stock at a purchase price of $50. The Rights generally may cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by the Board. The Rights should not interfere with any merger or other business combination approved by the Board because the Board may, at its option, at any time prior to the tenth business day following the acquisition by any person or group of 20% of the shares of ICF Common Stock, redeem the Rights upon payment of the redemption price of $0.01 per Right. The Rights are not triggered by the acquisition of beneficial ownership of more than 20% of ICF Common Stock by the initial holder of the Series 2C and 2D Preferred Stock. Unless redeemed earlier by the Board, unexercised Rights expire on January 13, 2002.

Common Stock Issued in Connection with Acquisitions: In fiscal 1992, ICF issued an additional 500,000 shares of ICF Common Stock to the seller of Primark Capital Group Inc., (renamed Health and Sciences Network, Inc.) to settle ICF's obligation to repurchase ICF Common Stock originally issued in the acquisition. ICF also issued 123,022 shares and 202,042 options to purchase shares to the former shareholders of Cygna Group, Inc. in satisfaction of a provision in the agreement under which ICF acquired this company. These transactions were charged to goodwill.

NOTE N—STOCK OPTIONS

The ICF Stock Incentive Plan provides for the issuance of options, stock appreciation rights, restricted shares, and restricted stock units of up to an aggregate of 6,000,000 shares of ICF Common Stock. Awards are made to employees of ICF at the discretion of the Compensation Committee of the Board. The Plan provides that the option price is not to be less than the fair market value on the date of grant. In May 1992, the Company cancelled 570,000 options granted to employees at exercise prices of $14.32 - $16.23 and granted an equal number of options to them at an exercise price of $8.25.

Stock option activity under this Plan and other options granted for the last three years is as follows:

	Shares	Option Price
Balance, March 1, 1990	1,296,000	$3.46 to $10.00
Granted	722,000	$9.29 to $14.46
Cancelled	(20,000)	$9.10
Expired	(87,000)	$6.07 to $12.83
Exercised	(155,000)	$3.46 to $ 9.51
Balance, February 28, 1991	1,756,000	$3.46 to $14.46
Granted	950,000	$6.07 to $17.00
Cancelled	(134,000)	$6.07 to $16.23
Expired	(95,000)	$6.07 to $9.51
Exercised	(605,000)	$4.00 to $8.46
Balance, February 29, 1992	1,872,000	$3.46 to $17.00
Granted	1,096,000	$5.99 to $9.59
Cancelled	(653,000)	$3.46 to $16.23
Expired	(339,000)	$6.07 to $16.23
Exercised	(30,000)	$8.25
Balance, February 28, 1993	1,946,000	$5.99 to $17.00
Exercisable at February 28, 1993	1,364,000	$5.99 to $17.00

260,000 shares of the total options outstanding at February 28, 1993 were at an option price below the fair market value of ICF Common Stock at February 28, 1993.

NOTE O—EMPLOYEE BENEFIT PLANS

ICF and certain of its subsidiaries sponsor several benefit plans covering substantially all employees who meet minimum length of service requirements. These plans include: the ICF International, Inc. Retirement Plan ("Retirement Plan"), a defined contribution profit-sharing plan that provides for contributions by the Company based on a percentage of covered compensation; the ICF International, Inc. Employee Stock Ownership Plan under which the Company made contributions in the form of cash; and a cash or deferred compensation arrangement 401(k) plan (the "401(k) Plan") which allowed employees to defer portions of their salary, subject to certain limitations, with no additional or matching contribution by the Company. The Company has contributed 4% of covered compensation to the ESOP. Effective March 1, 1993, the Company's contribution to the ESOP was changed to 2% of covered compensation and the Company will begin to match a percentage of eligible employee contributions to the 401(k) Plan for eligible employees. Total contributions to the Retirement Plan and the ESOP totaled $10,220,000, $10,440,000 and $10,973,000 for fiscal 1993, 1992 and 1991, respectively.

NOTE P—BUSINESS SEGMENT, MAJOR CUSTOMERS AND FOREIGN OPERATIONS

Business Segment: ICF operates predominantly in one industry segment, in which it provides consulting, environmental, engineering, and other professional services.

Major Customers: Gross revenue from major customers was as follows (in thousands):

	Fiscal Year 1993	1992	1991
U.S. Department of Energy	$201,149	$188,196	$120,972
U.S. Environmental Protection Agency	72,382	70,686	61,492
Other U.S. Government agencies	47,896	39,792	68,557
Total U.S. Government	321,427	298,674	251,021
USX Corporation and affiliates	90,185	97,767	26,004
	$411,612	$396,441	$277,025

Foreign Operations: Gross revenue and operating income from foreign sales (including sales originating in the United States) and foreign assets of all consolidated subsidiaries and branches were as follows (in thousands):

	Fiscal Year 1993	1992	1991
Foreign gross revenue			
Europe	$16,698	$ 35,475	$29,139
Pacific	33,709	67,904	55,082
Other	2,940	2,646	7,012
	$53,347	$106,025	$91,233
Foreign operating income			
Europe	$ 682	$ 689	$ 1,085
Pacific	2,010	5,224	5,820
Other	158	160	1,314
	$ 2,850	$ 6,073	$ 8,219
Foreign assets			
Europe	$ 4,565	$ 6,505	$ 6,650
Pacific	13,880	36,130	44,817
Other	29	65	95
	$18,474	$ 42,700	$51,562

NOTE Q—UNUSUAL ITEMS

During the year ended February 28, 1993, the Company recognized the impact of several unusual items: a $5,000,000 adjustment to pre-acquisition contingencies (see Note J), offset by a charge to accrue the net settlement cost and legal expenses related to a shareholder lawsuit ($1,400,000), the writedown to net realizable value of certain software-related assets ($3,000,000), and a charge for severance and related costs accrued as part of a cost reduction plan ($550,000).

In fiscal 1992, due to the favorable resolution of a foreign tax audit and management's evaluation of the status of an IRS appeal, the Company adjusted a portion of the amounts previously provided for in connection with the acquisition of the related companies.

NOTE R—SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for fiscal years 1993 and 1992 is presented in the following tables (in thousands, except per share amounts):

	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
1993				
Gross revenue	$150,921	$158,086	$172,551	$197,324
Service revenue	91,413	94,687	94,890	103,995
Net income	1,518	2,206	1,897	3,018
Net income per common share:				
Primary	$ 0.01	$ 0.04	$ 0.03	$ 0.08
Fully diluted	$ 0.01	$ 0.04	$ 0.03	$ 0.08
Market price per share:				
High	$ 8.50	$ 7.50	$ 7.75	$ 10.88
Low	$ 5.88	$ 4.00	$ 5.00	$ 7.25
1992				
Gross revenue	$194,712	$190,124	$172,800	$153,237
Service revenue	86,371	102,199	95.538	95,718
Net income (loss)	1,934	(15,841)	2,500	(29,109)
Net income (loss) per common share:				
Primary	$ 0.06	$ (0.87)	$ 0.10	$ (1.60)
Fully diluted	$ 0.06	$ (0.87)	$ 0.10	$ (1.60)
Market price per share:				
High	$ 11.00	$ 10.00	$ 16.75	$ 18.50
Low	$ 6.25	$ 6.50	$ 8.00	$ 14.25

As described in Note C, in fiscal 1992 ICF recorded a $73.4 million pretax charge for the restructuring and disposal of certain businesses. These costs and the elimination of the revenues and earnings of these businesses make direct comparisons to the results for fiscal years 1993 and 1991 less meaningful.

The sum of net income (loss) per common share for the four quarters of fiscal 1992 does not equal the loss per common share for the year due to changes in the number of shares of common stock and common stock equivalents outstanding during the year.

ICF adopted SFAS No. 109 in the fourth quarter of fiscal 1992, requiring retroactive application to March 1, 1991, and a restatement of the third quarter, resulting in a decrease to third quarter net loss available to common shareholders of $ 1.8 million, or $0.10 per common share. The remainder of the impact was attributable to the fourth quarter of fiscal 1992.

At April 13, 1993, there were 21,336,585 shares of common stock outstanding held by 1,221 holders of record.

CORPORATE INFORMATION

Office of the Chairman

James O. Edwards
Chief Executive Officer

Michael J. Rowny
Executive Vice President and
Chief Financial Officer

Marc Tipermas
Executive Vice President and
Director, Corporate Development

Corporate Management and Staff

Sara B. Brenner
Vice President,
Corporate Communications

Nicholas Burakow
Senior Vice President, International

Kenneth L. Campbell
Senior Vice President,
Corporate Development

Michael K. Goldman
Executive Vice President

Cynthia L. Hathaway
Vice President and
Assistant General Counsel

Martin A. Levine
Vice President and Director of Taxes

Douglas W. McMinn
Executive Vice President, International

Marilyn F. Meigs
Vice President

Norman A. Perry
Senior Vice President and
Corporate Controller

Marcy A. Romm
Senior Vice President,
Human Resources

Ronald R. Spoehel
Senior Vice President and Treasurer

Paul Weeks, II
Senior Vice President,
General Counsel, and Secretary

James P. Zeumer
Director, Investor Relations

Business Managers

John G. Balch
Chief Executive Officer, Excell
Development Construction, Inc.

Michael C. Barth
President, ICF Information
Technology, Inc.

C. Shepherd Burton
President, Systems Applications
International Division of ICF Kaiser
Engineers, Inc.

Ray A. Fortney
President, Cygna Group, Inc.

Richard T. French
President, Kaiser Engineers
Hanford Company

Robert N. Janopaul
President, Infrastructure Group of
ICF Kaiser Engineers, Inc.

Stephen W. Kahane
President, Environment Group of
ICF Kaiser Engineers, Inc.

Kenneth B. Kolsky
President, ICF Incorporated

Raymond E. List, P.E.
Chairman, ICF Kaiser Engineers, Inc.

Robert H. Nordlinger
Managing Director, Kaiser Engineers
Australia Pty. Ltd.

George D. O'Brien
Chairman, Infrastructure Group of
ICF Kaiser Engineers, Inc.

Peter J. Offringa, P.E.
Executive Vice President of Technical
Operations, ICF Kaiser Engineers, Inc.

Kenneth A. Schweers
President, ICF Resources Incorporated

Marc Tipermas
Chairman, Environment Group of
ICF Kaiser Engineers, Inc.

John Williams, P.E.
President, Tudor Engineering
Company

Board of Directors

James O. Edwards
Chairman and Chief Executive Officer,
ICF International, Inc.

Gian Andrea Botta
President, IFINT-USA Inc.

Tony Coelho
Managing Director, Wertheim Schroder
& Co. Incorporated

Frederic V. Malek
Chairman, Thayer Capital Partners

Robert W. Page, Sr.
Executive Vice President, McDermott
International, Inc.

Michael J. Rowny
Executive Vice President and Chief
Financial Officer, ICF International, Inc.

Annual Shareholders' Meeting

The Company's annual meeting of shareholders is scheduled for Saturday, June 26, 1993, at 9:00 a.m. at ICF Kaiser International's headquarters in Fairfax, Virginia.

Stock Listing

ICF Kaiser International's Common Stock trades in the NASDAQ National Market System under the symbol ICFI. The table below sets forth, by quarter, sales prices of the Company's publicly traded stock as reported by the NASDAQ National Market System. The last sales price reported on May 10, 1993, was $5.19 per share, at which time there were 20,726,117 shares of Common Stock held by 1,206 holders of record. The Company believes that there are approximately 5,500 beneficial holders of Common Stock.

Fiscal Year Ended	February 28, 1993		February 29, 1992	
	High	Low	High	Low
First Quarter	$10.88	$7.25	$18.50	$14.25
Second Quarter	7.75	5.00	16.75	8.00
Third Quarter	7.50	4.00	10.00	6.50
Fourth Quarter	8.50	5.88	11.00	6.25

10-K Report

ICF Kaiser International files an annual report on Form 10-K with the Securities and Exchange Commission. A copy of the report may be obtained without charge by writing to:

James P. Zeumer
Director, Investor Relations
ICF Kaiser International, Inc.
9300 Lee Highway
Fairfax, Virginia 22031-1207
USA

Transfer Agent

First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007-2192
212/791-6422

For More Information

Financial analysts, stockbrokers, and interested investors who want information about ICF Kaiser International should contact:

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To receive general information about ICF Kaiser International or its subsidiaries, contact:

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