

ICF International 2006 Annual Report

Message from the Chairman and Chief Executive Officer

On behalf of ICF International and our staff of more than 2,000 employees worldwide, I am pleased to present our first annual report as a public company.

This has been a very exciting period for our company, and we look forward to taking full advantage of opportunities to leverage the extensive domain expertise that ICF has developed over the past 38 years. In particular, we believe that our company is well positioned to benefit from what we believe to be the most favorable market trends the company has seen in many years, including:

- *growing global interest in climate change issues and methods to reduce carbon emissions*
- *continued growth in U.S. federal and state efforts to improve homeland security*
- *challenges of developing and implementing health care solutions*
- *increasing U.S. federal interest in establishing and maintaining information clearinghouses in government and industry*
- *significant requirements for human capital and business transformation services in U.S. government agencies*

In order to address these and other significant market opportunities, we have moved forward with strategic and financial plans that we believe give ICF important competitive advantages.

OUR STRATEGY:

ICF is executing a two-pronged growth plan. The cornerstone of our strategy is to accelerate our organic growth by winning larger enterprise-wide assignments and to use our valuable business development dollars more efficiently and effectively. We already have begun this effort by providing end-to-end solutions to our customers. This means that we will work on solving client problems all the way from developing the advisory framework for the solution, to implementing our recommendations, and then improving upon the solution as we get the results. We intend to continue to leverage our strong client relationships at the advisory level to win additional long-term, enterprise-wide implementation assignments. This strategy has served ICF well. In mid-2006, ICF won The Road Home Program contract in Louisiana—the largest award in the firm's history.

The second component of our strategy is to expand and strengthen the breadth and depth of ICF's professional services by acquiring businesses that are highly regarded in markets we understand. In 2006, we successfully completed integrating two acquisitions from 2005—Synergy, Inc., and Caliber Associates, Inc. Synergy added significantly to our presence in the U.S. Air Force, and Caliber gave us a substantial footprint in the U.S. Department of Health and Human Services, U.S. Department of Education, and U.S. Department of Justice. Although ICF was active in these markets, the Synergy and Caliber acquisitions expanded our presence in these U.S. government agencies. Last year, we negotiated two small yet strategic acquisitions that were completed in January 2007. The first, Energy and Environmental Analysis, Inc., specializes in energy market analyses and environmental advisory services, especially global natural gas markets, complementing our existing commercial and governmental offerings. The second, Advanced Performance Consulting Group, provides specialized services in strategic planning to U.S. government agencies and enhances our end-to-end solution offerings.

FINANCIAL STRUCTURE:

Over the past year, we have grown our business significantly and increased profitability. ICF's fully diluted earnings per share increased from \$.21 in 2005 to \$1.10 in 2006. Our revenues rose from \$177 million in 2005 to \$331 million in 2006, and we generated \$17.5 million in cash from operations. The company successfully concluded an initial public offering of our stock, which began trading on the NASDAQ national market on September 28, 2006, under the symbol "ICFI." We raised aggregate proceeds of \$46.4 million net of expenses by offering 4,359,948 shares, including an overallotment option of 700,500 shares that was exercised. These resources, together with the cash generated from the business, enabled us to repay our debt in full by the end of 2006 and retain substantial financial capacity for investment and potential acquisitions.

OUR EMPLOYEES:

ICF's success has been due largely to the unwavering commitment and extraordinary dedication of our employees to do an outstanding job for clients. In turn, the company's commitment to its employees and its reputation as a great place to work continue to be reflected in our relatively low turnover of personnel, the exceptionally long tenure of our senior staff, and our ability to attract and recruit the best and the brightest talent from outside the firm. In fact, in a 2006 *Consulting Magazine* survey of "The 10 Best Firms to Work For," ICF placed in the top 10 in three categories. In addition, ICF was honored by *Environmental Finance* magazine in 2006 as the Best Carbon Advisory Company in three categories: European Union Emissions Trading Scheme, North American Greenhouse Gas Market, and Kyoto Project Credits.

CONTRACT AWARDS:

ICF's 12 largest contract wins in 2006 have an aggregate value of close to \$1 billion over their contract life. They include:

- The three-phase Louisiana Housing Management Services contract valued at up to \$756 million over three years. After a four-month start-up phase in which statewide housing centers and a pilot program were established, ICF and its team of more than 20 companies moved into the production phase of this contract in October 2006.
- A \$45 million contract with the U.S. Department of Justice, Office of Justice Programs, to help strengthen the capacity of federal, state, and local programs to prevent delinquency and support victims of crime.
- A \$32 million contract with the U.S. Environmental Protection Agency (EPA) to manage the Environmental Services Assistance Team program providing on-site analytical support at EPA's Regional Laboratory in Richmond, California.
- A \$31 million contract with the U.S. Department of Health and Human Services (HHS), Administration on Children, Youth, and Families, to further develop and manage Children's Bureau information clearinghouse services in the areas of child abuse and neglect, child welfare, and adoption.
- A \$20 million contract, also with HHS, to continue to develop the National Child Care Information and Technical Assistance Center, dedicated to enhancing the quality, affordability, and availability of child care for all families.

LETTER TO STOCKHOLDERS

- A \$16.5 million contract with the EPA, Office of Solid Waste, to provide technical, outreach, and voluntary program support regarding hazardous, industrial, municipal, and special wastes.
- A \$14 million contract to continue our 15-year support of the EPA's ENERGY STAR® program. ICF provides technical and analytical support to the labeling and residential aspects of the program to reduce greenhouse gas emissions by identifying and labeling energy-efficient products in the marketplace.
- An \$11.5 million subcontract to The Pennsylvania State University to establish a mid-Atlantic regional laboratory for research into best educational practices and to coordinate all 10 regional labs for the U.S. Department of Education.
- Four additional contracts with EPA valued at \$40 million for programs designed to reduce greenhouse gas emissions for cleaner air, assist in mitigating the air pollution from motor vehicles, enhance environmental stewardship across all industrial sectors, and support EPA's stratospheric ozone protection initiatives.

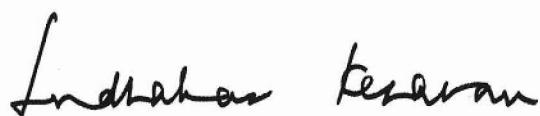
In addition to these larger contracts, we also secured numerous smaller multimillion dollar contracts that we believe are strategically significant and reaffirm our leadership in important growth markets. For example, we were awarded:

- A contract to serve as a manager of the new Multilateral Carbon Credit Fund launched by the European Bank for Reconstruction and Development and the European Investment Bank. During this new seven-year contract, ICF will help develop a portfolio of carbon credit projects. This win continues to demonstrate our leadership in carbon management and global climate change issues.
- The first \$2 million task order under a new HHS blanket purchase agreement to support the expansion of department capabilities in public health and medical response operations.
- A contract worth up to \$2.5 million with the U.S. Department of Homeland Security, Transportation Security Administration, for the Registered Traveler Program, to document and establish program standards.

OUR FUTURE:

As we move forward, ICF will continue to address many of the most important challenges of our time—helping clients develop new approaches to energy supply and demand issues on a global basis; tackling the impact of global climate change and implementing carbon trading solutions; addressing the increased demand for human and social services in an era of an aging U.S. federal workforce and increased budget constraints; and enhancing the homeland security of the United States and its allies. We are confident that these markets will provide growth opportunities for the right firms, and that ICF is one of those firms. Our employees have the passion and expertise to tackle these complex issues and deliver the results that our clients demand.

I look forward to keeping you apprised of our progress.



Sudhakar Kesavan

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number: 001-33045

ICF INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
9300 Lee Highway
Fairfax, VA
(Address of principal executive offices)

22-3661438
(IRS Employer Identification Number)
22031
(Zip Code)

Registrant's telephone number, including area code:
(703) 934-3000

Securities Registered Pursuant to Section 12(b) of the Act:
Title of Each Class Name of Exchange on which Registered
Common Stock, \$0.001 par value **The NASDAQ Stock Market LLC**

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$67.2 million based upon the closing price per share of \$12.25, as quoted on the Nasdaq Global Select Market on September 28, 2006, the day the Registrant's common stock commenced trading. Shares of common stock held by each executive officer and director of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 15, 2007, 13,881,816 shares of the Registrant's common stock, \$0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Stockholders expected to be held in June 2007.