HITT nv

Press release

Annual figures 2010

Highlights

HITT records considerable profit growth in 2010

- Large order intake with a contract value of EUR 54 million
- Revenue increased with 12% to EUR 36.2 million (2009: EUR 32.3 million)
- Strong position maintained in the domestic market and continuously successful in the Asian region
- Net profit increased to EUR 2.2 million (2009: EUR 0.3 million)
- Significant reduction of working capital, resulting in a free cash flow of EUR 6.4 million
- Order backlog of EUR 45 million per December 31, 2010 include relatively many long-term contracts

Key figures of the year:

x EUR 1,000; except per share data and headcount	2010	2009	*difference*	*in %*
Revenue	36,234	32,296	*3,938*	*12%*
Operating costs	-33,866	-32,321	*-1,545*	*5%*
Profit (loss)	2,240	312	*1,928*	*618%*
Free cash flow *	6,380	-1,648	*8,028*	
Solvency	55%	62%		
Order intake	54,017	26,000	*28,017*	*108%*
Average number of employees	158	168	*-10*	*-6%*
Earnings per ordinary share	0.52	0.07	*0.45*	*643%*

** Cash flow from operating and investing activities*

Market developments

Markets relevant to HITT gradually improved during 2010 after a poor 2009. The year started well with the order for the Noordzeekanaal project, with a value of about EUR 17 million. Shortly after, HITT again secured an order for the vessel traffic control system for the region Den Helder in the Netherlands. Next software projects in the Belgium market (Antwerp and Ghent) were secured. Three major projects were awarded in one of China's busiest shipping areas.

The aviation market steadily improved in 2010. Especially in the Asian region HITT was very successful in securing new orders for several big airports in China. Significant work was done at airports in Egypt, Turkey, Russia, Singapore and Germany. Due to fierce competition in this small segment it is difficult to realize good margins.

The port management business is showing increasing activity. The Port of Los Angeles, the 8th largest port in the world, selected HITT's subsidiary Klein Systems to supply software. In 2010, HITT Traffic and Klein Systems have taken important steps to integrate their software solutions.

The sales of the Hydrography and Navigation software group have increased. Much effort was put into developing the new generation of portable pilot units for the hardware navigation market. This product will shortly be introduced on the market.

The after-sales and customer support on completed projects worldwide, an important part of HITT's revenues, developed favorably as expected.

Financial developments

HITT's profit recovered after a reorganization and low profitability in the preceding year. The year ended with a net profit of EUR 2.2 million (2009: EUR 0.3 million), including results from discontinued operations of EUR 0.5 million (2009: EUR 0.3 million). The order backlog increased to EUR 45 million (end of 2009: EUR 28 million).

Revenue significantly increased from EUR 32.3 million in 2009 to EUR 36.2 million in 2010. After a slow start in 2010, HITT could start up several projects in 2010. The purchased goods for projects increased from EUR 14.2 million in 2009 to EUR 16.3 in 2010, resulting in an increased added value of EUR 19.9 million (2009: EUR 18.1 million).

The larger part of the revenue and added value growth was realized through a significant increase of revenue from construction contracts in the Traffic segment. Revenue in the Hydrography segment showed a stable growth, despite the low revenue from onboard hardware in the year. The geographical distribution of the intake illustrates the international nature of HITT's markets: 37% in the Netherlands, 16% in the rest of Europe, 34% in Asia and 13% in the rest of the world.

The increase of revenue could largely be handled with the existing staff. Total employee benefits expense did hardly increase in 2010, although there was some upward tendency during the year. This is due to increased hire of temporary staff and the effect of profit sharing agreements with permanent staff. Depreciation and other expense were slightly lower than last year.

The profit from continuing operations increased from EUR 47,000 in 2009 to EUR 1.7 million in 2010. The positive trend from 2007 to 2008, which was interrupted by the economic crisis in 2009, could therefore be resumed. The profit ratio from continuing operations (the profit % on revenue) increased to 5%, a result that had not been achieved in the five preceding years. The result from discontinued operations mainly concerns earn-out considerations from subsidiaries divested in preceding years.

With a total of EUR 54 million new order bookings (2009: EUR 26 million), the year ended with an order backlog of EUR 45 million (end of 2009: EUR 28 million). This backlog covers a significant number of long term engagements which is in line with HITT's strategic focus. From the December 31 backlog, approximately EUR 18 million (40%) concerns revenue which will be realized in 2012 and the years thereafter. The pipeline of outstanding proposals and prospects for 2011 and beyond is in proportion to HITT's growth ambitions.

Despite the significant revenue growth, HITT managed to reduce the working capital significantly in 2010. More acceptable payment conditions could be agreed and HITT received large advance payments from customers. This resulted in a cash flow from operating and investing activities of EUR 6.4 million (2009: minus EUR 1.6 million). The Indian projects still require a relatively high prefinancing.

The solvency stayed on an acceptable level in 2010 due to significant cash flows from operating activities and despite pay-out of dividend and repurchase of own shares.

Outlook

HITT's order book is well filled at the end of 2010. HITT also turned into a higher profitability in 2010. No major investments, changes in finance structure or reorganizations are anticipated at the moment. The expected economic growth in the Asian region is well represented among the projects in the pipeline at the start of 2011. The management of HITT therefore has confidence in and optimism for the year 2011, even though the world economy is not out of the danger zone yet.

Dividend

Despite the payment of dividend and repurchase of shares in 2010, the financial position is very good at balance sheet date. Management underlines that the cash position is often at its optimum at December 31, and is highly fluctuating during the year. Taking into account the improved financial position and financial performance, the Management Board proposes to pay out in cash 40% of the net result from continuing operations, and to pay out 100% of the result from discontinued operations. The proposed dividend amounts to in total EUR 0.26 per ordinary share.

Auditors' involvement

This press release is based upon the annual accounts 2010 drawn up by the management and is a summary only. Deloitte Accountants B.V. has issued an unqualified auditors' report. The annual accounts will be presented for approval to the Annual General Meeting on March 29, 2011.

Annexes:
1. Consolidated statement of income
2. Consolidated statement of financial position
3. Consolidated statement of cash flows

Profile HITT

HITT is a leading player in the worldwide markets for traffic management and navigation systems. The company develops technology aimed at safety enhancement and traffic flow improvement, whilst also enabling significant cost reductions in infrastructure and logistics. The core activities of HITT consist of developing and selling management & control systems and services for air and vessel traffic and hydrographic and navigation systems. In 2010 HITT achieved a revenue of EUR 36 million and a net profit of EUR 2.2 million. The number of staff at year-end 2010 was 163. HITT has been listed on Euronext Amsterdam NV since June 1998.

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CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31

x € 1,000; except per share data	2010	2009
Continuing operations		
Revenue	36,234	32,296
Cost of materials and subcontracting	(16,345)	(14,230)
Employee benefits expense	(13,123)	(13,103)
Product development	2,089	1,755
Depreciation and amortization expense	(2,252)	(2,376)
Other expense	(4,235)	(4,367)
Operating profit (loss)	2,368	(25)
Finance costs and income	(56)	73
Profit (loss) before tax	2,312	48
Income tax expense	(617)	(1)
Profit (loss) from continuing operations	1,695	47
Discontinued operations		
Profit (loss) from discontinued operations	545	265
Profit (loss)	**2,240**	**312**
Attributable to:		
Owners of the parent	2,404	345
Non-controlling interests	(164)	(33)
	2,240	**312**
EARNINGS PER SHARE		
From continuing and discontinued operations:		
Basic	0.52	0.07
Diluted	0.52	0.07
From continuing operations:		
Basic	0.40	0.02
Diluted	0.40	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31

x € 1,000	2010	2009
ASSETS		
Non-current assets		
Property, plant and equipment	506	627
Goodwill	1,280	1,141
Development costs	5,140	4,898
Deferred tax assets	311	198
	7,238	6,864
Current assets		
Inventories	221	246
Trade and other receivables	12,501	12,335
Current tax assets	57	684
Derivative financial instruments	268	-
Cash and cash equivalents	11,009	6,661
	24,056	19,926
	31,294	**26,790**
EQUITY AND LIABILITIES		
Equity		
Attributable to owners of the parent	17,322	16,478
Non-controlling interests	(31)	129
	17,291	16,607
Non-current liabilities		
Retirement benefit obligation	1,280	1,294
Deferred tax liabilities	879	875
Obligations under finance leases	26	47
	2,186	2,216
Current liabilities		
Trade and other payables	10,213	6,724
Current tax liabilities	1,383	699
Provisions	221	525
Derivative financial instruments	-	19
	11,817	7,967
	14,003	10,183
	31,294	**26,790**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

x € 1,000	2010	2009
Cash flow from operating activities		
Operating profit (loss)	2,368	(25)
Adjustments for:		
Movement of working capital	3,700	(1,246)
Movement of retirement benefit obligation	(14)	(218)
Movement of provisions	(310)	50
Depreciation property, plant and equipment	344	360
Amortization development costs	1,790	1,823
Impairment development costs	117	193
Cash generated from operations	7,994	937
Interest paid	(51)	(44)
Income tax paid	181	(856)
	8,124	37
Cash flow from investing activities		
Investments in property, plant and equipment	(202)	(196)
Investments in product development	(2,089)	(1,755)
Disposal of property, plant and equipment	1	1
Disposal of subsidiaries	545	265
	(1,744)	(1,685)
Cash flow from financing activities		
Payment for buy-back of shares	(970)	-
Dividend paid	(657)	(657)
Payments of financial lease liabilities	(21)	(8)
Interest received	94	126
	(1,555)	(539)
Net in(de)crease in cash	4,825	(2,187)
Cash and cash equivalents at start of period	6,661	8,502
Effect of foreign exchange rate changes	(478)	346
Cash and cash equivalents at end of period	**11,009**	**6,661**

End of press release