HITT nv

Press release

Annual figures 2011

Highlights

HITT again records a significant profit growth in 2011

- Revenue increased with 12% to EUR 40.7 million (2010: EUR 36.2 million)
- Growth of business activities in both segments (Traffic and Hydrography) as a result of earlier realized large orders.
- Positive revenue and profit contribution through acquisition of IVS 3D.
- One-off net gain of EUR 0.8 million by release of pension provision
- Net profit increased to EUR 3.4 million (2010: EUR 2.2 million)
- Negative free cash flow especially due to acquisition of IVS 3D and increase of working capital need from projects
- Order backlog decreased to EUR 37 million per December 31, 2011 due to less order intake in 2011. However, more own added value is included.

Key figures of the year:

	2011	2010	*difference*	*in %*
x EUR 1,000; except per share data and headcount				
Revenue	40,662	36,234	*4,428*	*12%*
Operating profit (loss)	4,487	2,368	*2,119*	*89%*
Profit (loss)	3,413	2,240	*1,173*	*52%*
Free cash flow *	-2,833	6,380	*-9,213*	*-144%*
Solvency	61%	55%		*0%*
Order intake	33,122	54,017	*-20,895*	*-39%*
Average number of employees	182	158	*24*	*15%*
Outstanding number of shares	4,494,158	4,494,158	*0*	*0%*
Weighed average number of shares	4,494,158	4,658,542	*-164,384*	*-4%*
Earnings per ordinary share	0.73	0.52	*0.21*	*40%*

** Cash flow from operating and investing activities*

General developments

HITT looks back on a number of important successes in 2011. Both revenue and profitability reached an all-time high. The revenue and added value show a fine increase compared to 2010, in the Traffic and the Hydrography segment.

An important milestone was the strengthening of the Hydrography segment through the acquisition of IVS 3D in 2011. In the meantime the activities have been fully merged with QPS and a new organization has emerged with 56 highly qualified employees. Through is this combination of forces, HITT is now well positioned in this segment. IVS contributed positively to the result in the first year. The revenue of the existing activities in this segment also increased although profit margins were somewhat lower. At the same time, the new portable pilot units were successfully implemented by the Dutch and Belgium pilot associations.

HITT has been very busy with a number of large orders in the maritime operation of the Traffic segment in the Netherlands, Belgium and China. There were also positive developments in various other countries. HITT entered the rapidly developing Vietnam market with the supply of a vessel traffic management system. In Barcelona, Spain, HITT was awarded an order to deliver a port management system and in Hong Kong, the Kai Tak Cruise Terminal will be equipped with a new generation radar. Via the new partner in Australia first orders have been received.

HITT notices an increasing demand for integration of traffic control with management information systems, and is now offering these integrated solutions. As a result, the development activities of HITT Traffic and subsidiary Klein systems in this area have been integrated. The revenue of aviation activities also increased, and HITT continues to expand its network with reference projects. At the same time the revenue potential in the aviation portfolio expanded through new cooperation programmes with partners.

The significant increase of revenue and added value in the Traffic segment was mainly realized with temporarily employed staff, which gives a certain flexibility. The total number of employees increased to 188 (end of 2010: 162) due to the acquisition of IVS and due to an increased number of employees at the existing activities.

Financial developments

After a successful 2010, HITT succeeded again in increasing its profitability over the last year, from EUR 2.2 million to EUR 3.4 million in 2011.

Revenue in 2011 increased from EUR 36.2 million to EUR 40.7 million. The workload was high during the whole year, resulting in an added value that both in the first and in the second half of the year was above the average of the year before. Despite the increase of revenue, the costs of materials and subcontracting were on a lower level: from EUR 15.9 million in 2010 to EUR 14.8 million in 2011. This also reflects that there is an increase of projects in which HITT is providing only the software instead of acting as main contractor. All this resulted in an increase of added value from EUR 20.4 million in 2010 to EUR 25.9 million in 2011.

The increase of added value occurred both in the Traffic and Hydrographic segments. Sales in the hydrographic segment experienced a new boost from the acquisition of IVS 3D at the end of April 2011, and from the sales of a new generation portable pilot units for navigation of vessels by subsidiary Ad Navigation.

The geographical break down of revenue is again a clear illustration for the international character of HITT's markets: The Netherlands 38%, rest of Europe 21%, Asia 28% and rest of the world 13%.

The employee benefit expenses increased significantly from 13.1 million in 2010 to EUR 15.7 million in 2011. Included in the 2011 amount is the one-off gain due to release of pension provision with a net effect on employee benefit expense of EUR 1.1 million. There are several main reasons for the increase in personnel costs:

- Since the acquisition of IVS 3D in April, the expenses for its 15 staff members have been consolidated in the costs.
- The boost of activities in the Traffic segment had to be met by additional staff. This was realized by temporary staff and short-term contracts. These costs can be cut in case demand slows down.
- More termination benefit expenses were paid during 2011.
- A higher profit level generated higher profit related benefits for permanent staff

Both the size of capitalized development costs and the depreciation of these costs grew significantly in 2011. This is largely a result of the acquisition of IVS 3D, where capitalization and amortization of development costs is also applied. Other expense increased as well, mainly in connection with the acquisition. The other expense of IVS companies were consolidated as of May and the costs of the acquisition (around EUR 0.2 million) are accounted for in the results.

Profit from continuing operations rose from EUR 1.7 million in 2010 to EUR 3.4 million in 2011. One-off results from non-continued operations, such as the ones in 2010 (EUR 0.5 million), did not occur in 2011.

With a total of new orders of EUR 33 million during 2011 (2010: EUR 54 million), the year ended with a backlog of EUR 37 million (2010: EUR 45 million). This order backlog comprises a considerable number of long term contracts, which is in line with the strategic objectives of HITT. From the order backlog as of December 31st, approx. EUR 20 million is expected to be realized in 2012, the remaining EUR 17 million will generate income in the years to follow.

The amount of working capital (excluding cash and cash equivalents) increased by EUR 2.3 million to EUR 3.5 million at the end of the year. This has a number of reasons:

- Partly it is a consequence of the increase of construction contract revenue, which partly is acquired via public tenders. This type of contract is usually characterized by an obligation for prefinancing of around 10% to 20 % of the value of the contract.
- HITT received relatively many prepayments from new customers at the end of 2010, which situation did not repeat itself at the end of 2011.
- HITT realized net receipts of income tax in 2010, whereas this turned into a payment situation in 2011 where payments were more in line with the actual tax expense level.

Projects in India still require a relatively high level of prefinancing.

This resulted in a cash outflow from operating and investing activities of EUR 2.8 million (2010: inflow EUR 6.4 million). The solvency remained on an acceptable level in 2011, despite pay-out of dividend and acquisition of IVS 3D.

Outlook

At the end of 2011, HITT's order book was well filled whilst the quality of the backlog improved during the year. Central governments in Western countries are now strongly focused on cutbacks; this however does not automatically stop local investments in higher efficiency, safety and sustainability of the infrastructure. At the time of the compilation of this report the impact of the events around the euro on the macro economy and the financial sector could not be predicted.

The outlook for 2012 is reasonably good, not taking into account possible external economic upheaval. Both in the aviation and the shipping segment as well as in hydrography, HITT is working with a robust installed base of systems and well functioning products and solutions. There is a continuous demand from all over the world for expansion and upgrading of existing systems from all parts of the world. With new partners, Value Added Resellers, HITT covers a wider geographical area and sometimes reaches customers not thought of before. With the developed off-the-shelf software, HITT's systems are becoming increasingly interesting to smaller ports, airports and regional services. In order words, at HITT, there are more challenges than threats. Barring unforeseen external circumstances, the management is therefore cautiously optimistic for 2012.

Dividend

Despite the payment of dividend and acquisition of IVS in 2011, the financial position is healthy at balance sheet date. Management underlines that the cash position is often at its optimum on December 31 and gives a flattered view of the situation during the year. It is expected that the cash position will decrease in the first half year. Management Board proposes to pay out a cash dividend of EUR 0.26 per ordinary share.

Auditors' involvement

This press release is based upon the annual accounts 2011 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 27, 2012.

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 hydro-graphic 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 162. HITT is 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	2011	2010
Continuing operations		
Revenue	40,662	36,234
Cost of materials and subcontracting	(14,793)	(15,882)
Employee benefits expense	(15,716)	(13,123)
Product development	3,078	2,089
Depreciation and amortization expense	(3,362)	(2,252)
Other expense	(5,382)	(4,698)
Operating profit (loss)	4,487	2,368
Finance costs and income	(118)	(56)
Profit (loss) before tax	4,369	2,312
Income tax expense	(956)	(617)
Profit (loss) from continuing operations	3,413	1,695
Discontinued operations		
Profit (loss) from discontinued operations	-	545
Profit (loss)	**3,413**	**2,240**
Attributable to:		
Owners of the parent	3,260	2,404
Non-controlling interests	153	(164)
	3,413	**2,240**
EARNINGS PER SHARE		
From continuing and discontinued operations:		
Basic	0.73	0.52
Diluted	0.73	0.52
From continuing operations:		
Basic	0.73	0.40
Diluted	0.73	0.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31

x € 1,000	2011	2010
ASSETS		
Non-current assets		
Property, plant and equipment	701	506
Goodwill	2,886	1,280
Development costs	6,205	5,140
Deferred tax assets	465	311
	10,257	7,237
Current assets		
Inventories	399	221
Trade and other receivables	13,316	12,501
Current tax assets	682	57
Derivative financial instruments	-	268
Cash and cash equivalents	6,813	11,009
	21,210	24,056
	31,467	**31,293**
EQUITY AND LIABILITIES		
Equity		
Attributable to owners of the parent	19,341	17,322
Non-controlling interests	(5)	(31)
	19,336	17,291
Non-current liabilities		
Retirement benefit obligation	-	1,280
Deferred tax liabilities	1,253	879
Obligations under finance leases	8	26
	1,261	2,185
Current liabilities		
Trade and other payables	9,007	10,213
Current tax liabilities	1,428	1,383
Provisions	389	221
Derivative financial instruments	46	-
	10,870	11,817
Total liabilities	12,131	14,002
	31,467	**31,293**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

x € 1,000	2011	2010
Cash flow from operating activities		
Operating profit (loss)	4,487	2,368
Adjustments for:		
Movement of working capital	(2,729)	3,700
Movement of retirement benefit obligation	(1,280)	(14)
Movement of provisions	163	(310)
Depreciation property, plant and equipment	386	344
Amortization development costs	2,979	1,790
Impairment development costs	-	117
Cash generated from operations	4,006	7,995
Interest paid	(122)	(51)
Income tax paid	(1,088)	181
	2,796	8,125
Cash flow from investing activities		
Investments in property, plant and equipment	(535)	(202)
Investments in product development	(3,078)	(2,089)
Disposal of property, plant and equipment	2	1
Acquisition of subsidiaries	(2,018)	-
Disposal of subsidiaries	-	545
	(5,629)	(1,745)
Cash flow from financing activities		
Payment for buy-back of shares	-	(970)
Dividend paid	(1,168)	(657)
Payments of financial lease liabilities	(17)	(21)
Interest received	56	94
	(1,129)	(1,554)
Net in(de)crease in cash	(3,962)	4,826
Cash and cash equivalents at start of period	11,009	6,661
Effect of foreign exchange rate changes	(234)	(478)
Cash and cash equivalents at end of period	**6,813**	**11,009**

End of press release