

## Highlights semi-annual figures 2011

### Higher profit and one-off benefit from pensions in first half year 2011 for HITT

- Revenue increased by 27% to over EUR 20 million in 2011H1
- Release of pension provision after replacing the existing pension plan by a defined contribution plan. One-off effect on profit after tax of about EUR 0.8 million.
- Cost increase due to increase of workload in Traffic segment, the acquisition of IVS and higher amortization of software
- EUR 16.4 million order intake, herewith slight decrease in well filled order book to EUR 41 million.
- Net profit of EUR 2.0 million (2010H1: EUR 0.5 million)
- Decreased liquidity position due to acquisition IVS, dividend payments and increased working capital requirements.

Key figures of the first half year 2011:

	Six months period ended		<i>difference</i>	<i>%</i>
	30-06-2011	30-06-2010		
x EUR 1,000; except per share data and headcount				
Revenue	20,618	16,284	4,334	27%
Operating costs	-17,903	-15,542	-2,361	15%
Profit (loss)	2,018	492	1,526	310%
Free cash flow *	-8,250	-4,177	-4,073	
Solvency	65%	62%		
Order intake	16,367	31,638	-15,271	-48%
Average number of employees	175	160	15	10%
Earnings per share	0.47	0.12	0.35	289%

\* Cash flow from operating and investing activities

## **General developments**

Revenue and added value were considerably higher than in the same period in 2010. This applies to both aviation and maritime activities in the Traffic segment. In the maritime sector of the Traffic segment, HITT has been working hard on several large orders awarded in 2010 and 2011 mainly in the Netherlands, Belgium and China. The revenue in the aviation sector also increased, and HITT continued to expand its network with reference projects.

The considerable increase in revenue and added value in the Traffic segment was for a large part accommodated by temporary staff, creating a certain extent of flexibility. The profitability of both the aviation and maritime activities in the Traffic segment increased.

The revenue and profit of the port management activities decreased compared to last year. However, there are positive developments such as the recent order for delivery of a port management system in Barcelona and the increased demand for integration of these systems with HITT's traffic management systems.

The Hydrography segment was strengthened by the acquisition of IVS end of April. First steps have been taken to integrate IVS in the Group in order to benefit optimally from synergies. IVS contributed positively to the results in the first months. Revenue of the existing activities increased although profit margins were lower. The development of the new portable pilot units was delayed but the test phase has been completed, and meanwhile first orders have been received.

Headcount increased to 189 full time equivalents at June 30 (end of 2010: 162) following the acquisition of IVS and the increase of staff for existing activities.

## **Financial developments**

### Notes to the statement of income

In the first half year of 2011, HITT recorded a revenue of EUR 20.6 million (2010H1: EUR 16.3 million) and a profit of EUR 2.0 million (2010H1: EUR 0.5 million). Noteworthy for the results are the significant increase in revenue and added value through increased activity, increased personnel costs to accommodate this, the release of the pension costs and the contribution of IVS to the group result.

Unlike last year, when HITT suffered from the lagged effects of the difficult market conditions, the year 2011 started with much business activity. Revenue increased from EUR 16.3 million to EUR 20.6 million. The purchase of project materials also increased but to a much lesser extent than the increase in revenue. As a result the added value of HITT increased from EUR 9.3 million to EUR 12.6 million.

Staff costs increased to EUR 6.9 million (2010H1: EUR 6.4 million). Included in these costs is the release of the pension provision of EUR 1.2 million following the amendment of the pension scheme for Apeldoorn employees. The major part of the increase in recurrent staff costs is related to the contracting and hire of (predominantly temporary) staff to absorb the increased workload. Other reasons include the effects of profit related pay, salaries of IVS personnel and higher pension costs.

Other expense increased by EUR 0.5 million to EUR 2.7 million. The increase is due to an increase of project- and sales related travel and stay costs and also due to the acquisition costs of IVS (EUR 0.2 million) and operating costs of IVS in May and June that are part of HITT's consolidated results.

The net contribution (excluding acquisition costs) of IVS to the group result in the first half year of 2011 amounted to EUR 0.1 million.

If the net result had been adjusted for the one-off pension benefit, taking into account the related accruals for profit related pay and tax effects, it would have amounted to EUR 1.2 million (2010H1: EUR 0.5 million).

#### Notes to the statement of financial position

The acquisition of IVS had an important impact on the financial position in the first half of 2011. The (converted) acquisition price was EUR 2.5 million, including EUR 1.5 million goodwill. This explains the increase in goodwill on the balance sheet. The increase in capitalized development costs of EUR 0.8 million is attributable to the consolidation of IVS.

The trade and other receivables increased by EUR 2.6 million to EUR 15.1 million whilst trade and other payables decreased by EUR 2.5 million to EUR 7.7 million. The working capital, excluding tax positions, increased by EUR 5.1 million to EUR 7.4 million. This increase has a number of reasons:

- On 31 December the situation was exceptional as a result of prepayments for a significant number of newly acquired projects. This pertained to a few millions. A similar situation does not occur on June 30, and is therefore the main reason for trade and other payables to decrease again.
- The increase in revenue was primarily an increase in revenue from projects through tenders. In such projects the company is often obliged to pre-finance an average of 10% to 20% of the contract value. An increasing volume of revenue therefore means an automatic increase in the trade working capital.
- History shows that more payments from customers are transferred at the end of the year instead of at the beginning of the year.

The working capital at June 30 is approximately 18% of the average revenue. With an annual revenue volume of over EUR 40 million and an average pre-financing obligation of 10%, the trading working capital should be approximately EUR 4 million. The financial position is however still overshadowed by the Indian projects. Even though major progress and payments were made, pre-financing on these projects still amounted to approximately EUR 3.2 million on June 30.

Another special development in the balance sheet is related to the release of the pension provision of EUR 1.2 million due to a change of pension plan. The release is also one of the main reasons for the increased provision for deferred tax liabilities. Neither have an impact on the development of the cash position.

The current tax liabilities decreased by EUR 1.1 million to EUR 0.3 million. This is a combination of an increase in VAT receivables and an increase in retained foreign profit or (foreign) withholding taxes that have to be settled yet.

#### Notes to the statement of cash flows

Cash flow from operating activities decreased to EUR 4.5 million outflow (2010H1: EUR 3.0 million outflow) caused by the before mentioned increase of working capital and (to a lesser extent) the increases in prepaid and withheld taxes.

The cash outflow from investments amounts to EUR 3.8 million (2010H1: EUR 1.2 million). This increase is primarily due to the acquisition of IVS (considerations transferred less acquired cash: EUR 2.0 million).

The cash outflow from financing activities was EUR 1.1 million, which is EUR 0.5 million higher than in 2010 due to the higher dividend payments.

On balance, working capital in the reporting period decreased from EUR 11.0 million to EUR 2.3 million at June 30 2011.

## **Outlook**

The order book decreased in the first half year of 2011 from EUR 45.3 million at the end of 2010 to EUR 40.7 million at the end of June, but this volume can still be considered significant. It is expected that from this volume approximately EUR 18 million can be realized in the second half of 2011.

Management of HITT is moderately positive about further profit growth in the second half of 2011. The continuation of long term profit growth depends on new orders. Though it is expected that the volume of new orders in the Benelux countries will decrease slightly in the long run, the prospects in other areas like Asia and Australia are good.

## **Related party transactions**

Major related party transactions are disclosed in note 13 to the interim financial statements.

## **Auditors' involvement**

The financial statements in this semi-annual report have not been audited or reviewed by our auditor.

## **Risk profile**

In our Annual Report 2010 we have extensively described certain risk categories and risk profiles which could have an impact on our financial position and results. In our view, the nature and the (potential) impact of the stated risks (was and) will not be materially different in the second half of 2011.

## **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 has been listed on Euronext Amsterdam NV since June 1998.

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## Condensed consolidated statement of income

for the period ended June 30

		Six months period ended	
		30-06-2011	30-06-2010
x EUR 1,000			
<b>Continuing operations</b>			
Revenue	6	20,618	16,284
Cost of materials and subcontracting	4	-7,976	-7,007
Employee benefits expense	7	-6,915	-6,388
Product development		1,287	1,051
Depreciation and amortization expense		-1,552	-937
Other expense	4	-2,746	-2,261
		<u>-17,903</u>	<u>-15,542</u>
Operating profit (loss)		2,715	741
Finance costs and income		-13	1
Profit (loss) before tax		<u>2,702</u>	<u>742</u>
Income tax expense		-684	-185
Profit (loss) from continuing operations		<u>2,018</u>	<u>557</u>
<b>Discontinued operations</b>			
Profit (loss) from discontinued operations		0	-65
<b>Profit (loss)</b>		<u><b>2,018</b></u>	<u><b>492</b></u>

Attributable to:

Owners of the parent	2,099	546
Non-controlling interests	-81	-54
	<u>2,018</u>	<u>492</u>

<b>Earnings per share</b>	8	EUR	EUR
From continuing and discontinued operations:			
Basic		0.47	0.12
Diluted		0.47	0.12
From continuing operations:			
Basic		0.47	0.13
Diluted		0.47	0.13

## Condensed consolidated statement of financial position

at June 30

		30-06-2011	31-12-2010
x EUR 1,000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		662	506
Goodwill	5	2,710	1,280
Development costs		5,974	5,140
Deferred tax assets		428	311
		<u>9,774</u>	<u>7,237</u>
<b>Current assets</b>			
Inventories		250	221
Trade and other receivables		15,124	12,501
Current tax assets		573	57
Derivative financial instruments		207	268
Cash and cash equivalents		2,291	11,009
		<u>18,446</u>	<u>24,056</u>
		<b>28,220</b>	<b>31,293</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Attributable to owners of the parent	8	18,639	17,322
Non-controlling interests		-235	-31
		<u>18,404</u>	<u>17,291</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	7	-	1,280
Deferred tax liabilities		1,487	879
Obligations under finance leases		17	26
		<u>1,504</u>	<u>2,185</u>
<b>Current liabilities</b>			
Trade and other payables		7,736	10,213
Current tax liabilities		323	1,383
Provisions		253	221
		<u>8,312</u>	<u>11,817</u>
		<b>28,220</b>	<b>31,293</b>

## Condensed consolidated statement of cash flows

For the period ended June 30

	Six months period ended	
	30-06-2011	30-06-2010
x EUR 1,000		
<b>Cash flow from operating activities</b>		
Operating profit (loss)	2,715	741
Adjustments for:		
Movement of working capital	-6,699	-5,098
Movement of retirement benefit obligation	-1,280	-
Movement of provisions	36	-240
Depreciation property, plant and equipment	174	170
Amortization development costs	1,443	766
Cash generated from operations	-3,612	-3,660
Interest paid	-60	-24
Income tax paid	-873	699
	<b>-4,545</b>	<b>-2,986</b>
<b>Cash flow from investing activities</b>		
Investments in property, plant and equipment	-294	-76
Investments in product development	-1,396	-1,051
Disposal of property, plant and equipment	3	1
Acquisition of subsidiaries	-2,018	-
Disposal of subsidiaries	-	-65
	<b>-3,706</b>	<b>-1,191</b>
<b>Cash flow from financing activities</b>		
Dividend paid	-1,168	-657
Payments of financial lease liabilities	-9	-12
Interest received	49	50
	<b>-1,129</b>	<b>-619</b>
<b>Net in(de)crease in cash</b>	<b>-9,379</b>	<b>-4,796</b>
Cash at start of period	11,009	6,661
Effect of foreign exchange rate changes	662	-561
<b>Cash at end of period</b>	<b>2,291</b>	<b>1,304</b>

This press release is based upon the semi-annual report 2011 drawn up by the management and only concern part thereof. The full semi-annual report is available on [www.hitt.nl](http://www.hitt.nl).

\*\*\*End of press release\*\*\*