HITT N.V.

Semi-annual report 2010

Highlights

HITT records EUR 0.5 million profit and strong order intake in 2010H1

- Large order intake with a contract value of EUR 31.6 million in 2010H1
- Revenue with EUR 16.3 million on same level as in 2009, but steadily increasing
- Cost level 12% lower than in 2009H1
- Net profit of EUR 0.5 million (2009H1: EUR 0.9 million loss)
- Negative cash flow due to considerable prefinancing of major projects in Turkey and India
- Relatively more long-term contracts included in the order backlog, which amounts to EUR 43.1 million per June 30, 2010

Key figures of the first half year:

	Six months period ended		
	30-06-2010	30-06-2009	*difference*
x EUR 1,000; except per share data and headcount			
Revenue	16,284	16,419	*-135*
Operating costs	-15,542	-17,724	*2,182*
Profit (loss)	492	-898	*1,390*
Free cash flow *	-4,177	-2,602	*-1,576*
Solvency	62%	62%	
Order intake	31,638	15,153	*16,485*
Average number of employees	160	170	*-10*
Earnings per ordinary share	0.12	-0.19	*0.31*

** Cash flow from operating and investing activities*

Management report

General developments

In the first half of 2010 HITT recorded revenues of EUR 16.3 million (2009H1: EUR 16.4 million), and a net profit of EUR 0.5 million (2009H1: EUR 0.9 million loss). The order backlog increased to EUR 43.1 million due to a large order intake in 2010H1 with a contract value of EUR 31.6 million.

Both revenue and added value (being revenue minus cost of materials and subcontracting) are almost at a similar level as in 2009H1, although realized with less staff. Especially in the Traffic segment HITT was able to start up several projects in the first half year. HITT reaps the benefits of the efforts and resources invested in sales combined with signs of economic recovery. Significant intake was realized in the Marine market (Noordzeekanaal, Den Helder, Antwerp and Ghent). First signs of improvement are noticeable in the Aviation market as well. HITT recently secured orders in this market (Cairo, Chengdu).

In the first months of the year HITTs results were influenced by low margin projects in India, Turkey and China. These projects require significant capacity without according earnings contribution, and therefore hold back a fast profit increase. Nevertheless, some of these projects are in the final stage as a result of which these effects are expected to diminish. Several new projects with better earnings potential were secured.

The projects in India still require significant attention and efforts. New agreements with customers and partners are speeding up the process and further progress towards completion is made. A breakthrough in the Gulf of Kachchh-project in India, which has had delays since 2006, is the first towers having been built and supplied with HITTs equipment. This required significant prefinancing. Similar prefinancing requirements are applicable to the airports project in Turkey. Completion of work in Turkey is expected in the third quarter of 2010, which should result in significant cash inflows.

The port management systems business shows a satisfactory revenue and profit increase. In the first half of 2010, the port management systems for Fremantle and Port Everglades went live. In June, HITT was awarded a new contract from the Port of Los Angeles, the largest port in North America. HITT is committed to continue to grow in its port installed base and services to the ports. In the first half a tightly integrated management information system for the vessel traffic management business was developed, adding a key competitive product to the product line.

The Hydrography and Navigation segment benefitted from a slight improvement of the activities in Asia and signs of a worldwide improvement in the offshore industry. Sales of navigation hardware are still slow, and waiting for the introduction of the second generation portable pilot units now being developed to be completed in the fourth quarter.

HITT focuses on realizing more long-term relationships and increasing its installed base of customers. The after-sales and customer support on completed projects worldwide showed a healthy growth in 2010.

Headcount decreased to 158 employees per the 30th of June (end of 2009: 161) as part of our effort to increase added value with reduced cost.

Outlook

Taken into account the large recorded intake in the first half year, the Management Board of HITT is moderately positive about a further profit growth. For realizing new intake HITT depends on further improvement of worldwide economic circumstances, which is still premature in the Aviation sector.

Financial developments

Notes to the statement of income

In the first half year of 2010 revenue was almost at a similar level as the year before: EUR 16.3 million versus EUR 16.4 million in 2009H1. The purchased goods for projects decreased from EUR 7.5 million in 2009H1 to EUR 7.2 million in 2010H1, resulting in an increase of added value to EUR 9.0 million (2009H1: 8.9 million) in line with expectations. HITT still experienced the effects of difficult market conditions in the first months of 2010 and started the year with relatively low added value.

Employee benefits expense decreased with 13.6% to EUR 6.4 million (2009H1: EUR 7.4 million) following the reorganization in 2009 with staff reductions in the Apeldoorn office. The first half year of 2009 included reorganization costs of EUR 0.6 million.

The amount invested in (capitalized) development increased with EUR 0.2 million to EUR 1.1 million in 2010H1. Part of the development costs were expensed in 2009 in order not to exceed the estimated recoverable amounts, whereas in 2010 the market circumstances (and estimates of recoverable amounts of products) improved so less costs were expensed.

Depreciation and amortization expense decreased with EUR 0.2 million to EUR 0.9 million in 2010H1. The amortization expense of 2009H1 included an impairment of EUR 0.2 million. Moreover the first months of 2010 were slow with regard to new orders and start of projects, resulting in lower amortization of products.

Other expense decreased with 18.4% to EUR 2.0 million (2009H1: EUR 2.5 million). This is a result of a combination of cost savings programs, lower guarantee costs and lower selling expense.

Profit before tax amounts to EUR 0.7 million (2009H1: EUR 1.3 million loss), and the net profit amounts to EUR 0.5 million (2009H1: EUR 0.9 million loss). Accordingly the earnings per share increased from EUR 0.19 loss in 2009H1 to EUR 0.12 profit in 2010H1.

Notes to the statement of financial position

Goodwill increased with EUR 0.2 million mainly as a result of foreign exchange effects. These correspond with the weakening of the euro in 2010H1. The capitalized development cost increased with EUR 0.4 million to EUR 5.3 million due to before mentioned reasons in combination with translation differences of capitalized development costs in Canada.

Trade and other receivables increased with EUR 4.9 million to EUR 17.2 million, including amounts due from customers for contract work which increased with EUR 3.4 million to EUR 10.4 million. To a large extent this increase is the result of progress on projects taken onboard in previous years with slow payment schemes like the India and Turkey projects. The prefinancing level of these projects seems to be on its peak. Trade and other payables have not changed much: EUR 6.8 million versus EUR 6.7 million in 2009. Net working capital increased with EUR 5.1 million.

Current tax assets decreased from EUR 0.7 million to EUR 0.1 million due to repayment of income tax paid in 2009.

Notes to the statement of cash flows

The cash flow from operating activities decreased to EUR 3.0 million outflow (2009H1: EUR 1.6 million outflow), caused by the increase of working capital taken by aforementioned projects.

The cash outflow for investing activities amounted to EUR 1.1 million (2009H1: EUR 1.0 million), mainly related to the increase in product development. The cash outflow for financing activities was equal to 2009H1 with EUR 0.6 million. This mainly concerns the dividend payment, which was equal to last year's payment. On balance cash decreased with EUR 4.8 million to EUR 1.3 million per June 30th of 2010.

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 2009 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 potential impact of the risks was and will not be materially different for the second half of 2010.

Consolidated statement of income

for the period ended June 30

		Six months period ended	
		30-06-2010	30-06-2009
x EUR 1,000; except per share data			
Continuing operations			
Revenue	4	16,284	16,419
Cost of materials and subcontracting		-7,239	-7,490
Employee benefits expense	6	-6,388	-7,390
Product development	5	1,051	809
Depreciation and amortization expense		-937	-1,166
Other expense		-2,029	-2,487
		-15,542	-17,724
Operating profit (loss)		741	-1,305
Finance costs and income		1	55
Profit (loss) before tax		742	-1,250
Income tax expense		-185	337
Profit (loss) from continuing operations		557	-913
Discontinued operations			
Profit (loss) from discontinued operations	7	-65	15
Profit (loss)		**492**	**-898**
Attributable to:			
Owners of the parent		546	-898
Non-controlling interests		-54	0
		492	-898
Earnings per share	8		
From continuing and discontinued operations:			
Basic		0.12	-0.19
Diluted		0.12	-0.19
From continuing operations:			
Basic		0.13	-0.19
Diluted		0.13	-0.19

Consolidated statement of financial position

at June 30

x EUR 1,000		30-06-2010	31-12-2009
ASSETS			
Non-current assets			
Property, plant and equipment		564	627
Goodwill		1,327	1,141
Development costs		5,266	4,898
Deferred tax assets		273	198
		7,429	6,864
Current assets			
Inventories		200	246
Trade and other receivables		17,200	12,335
Current tax assets		53	684
Cash and cash equivalents		1,304	6,661
		18,757	19,926
		26,187	**26,790**
EQUITY AND LIABILITIES			
Equity			
Attributable to owners of the parent	9	16,235	16,478
Non-controlling interests		81	129
		16,316	16,607
Non-current liabilities			
Retirement benefit obligation		1,294	1,294
Deferred tax liabilities		748	875
Obligations under finance leases		35	47
		2,077	2,216
Current liabilities			
Trade and other payables		6,757	6,724
Current tax liabilities		714	699
Provisions		295	525
Derivative financial instruments (cr)		28	19
		7,794	7,967
		26,187	**26,790**

Consolidated statement of comprehensive income

for the period ended June 30

x EUR 1,000	Six months period ended 30-06-2010	30-06-2009
Profit (loss)	492	-898
Translation of foreign operations	251	102
Gains (losses) on cash flow hedges	-507	192
Income tax relating to cash flow hedges	129	-53
Other comprehensive income (expense)	-127	241
Comprehensive income	**366**	**-657**
Attributable to:		
Owners of the parent	414	-670
Non-controlling interests	-48	13
	366	-657

Consolidated statement of changes in equity

for the period ended June 30

Six months period ended June 2009

x EUR 1,000	Issued capital	Share premium	Cash flow hedges	Translation of foreign operations	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Group equity
Balance at start of period	1,173	4,848	15	-424	10,803	16,415	137	16,552
Profit (loss)	-	-	-	-	-898	-898	-	-898
Translation of foreign operations	-	-	-	89	-	89	13	102
Cash flow hedges	-	-	207	-	-15	192	-	192
Cash flow hedges tax effect	-	-	-53	-	-	-53	-	-53
Comprehensive income	-	-	154	89	-913	-670	13	-657
Dividends	-	-	-	-	-657	-657	-	-657
Balance at end of period	**1,173**	**4,848**	**169**	**-335**	**9,233**	**15,088**	**150**	**15,238**

Six months period ended June 2010

x EUR 1,000	Issued capital	Share premium	Cash flow hedges	Translation of foreign operations	Retained earnings	Equity attributable to owners of tle parent	Non-controlling interests	Group equity
Balance at start of period	1,173	4,848	219	-237	10,475	16,478	129	16,607
Profit (loss)	-	-	-	-	546	546	-54	493
Translation of foreign operations	-	-	-	245	-	245	6	251
Cash flow hedges	-	-	-507	-	-	-507	-	-507
Cash flow hedges tax effect	-	-	129	-	-	129	-	129
Comprehensive income	-	-	-378	245	546	414	-48	366
Dividends	-	-	-	-	-657	-657	-	-657
Balance at end of period	**1,173**	**4,848**	**-159**	**8**	**10,365**	**16,235**	**81**	**16,316**

Consolidated statement of cash flows

For the period ended June 30

	Six months period ended	
	30-06-2010	30-06-2009
x EUR 1,000		
Cash flow from operating activities		
Operating profit (loss)	741	-1,305
Adjustments for:		
Movement of working capital	-5,098	-1,712
Movement of provisions	-240	507
Depreciation property, plant and equipment	170	167
Amortization development costs	766	797
Impairment development costs	-	193
Cash generated from operations	-3,660	-1,353
Interest paid	-24	-19
Income tax paid	699	-275
	-2,986	**-1,647**
Cash flow from investing activities		
Investments in property, plant and equipment	-76	-161
Investments in product development	-1,051	-809
Disposal of property, plant and equipment	1	-
Disposal of subsidiaries	-65	15
	-1,191	**-955**
Cash flow from financing activities		
Dividend paid	-657	-657
Payments of financial lease liabilities	-12	-
Interest received	50	65
	-619	**-592**
Net in(de)crease in cash	**-4,796**	**-3,194**
Cash at start of period	6,661	8,502
Effect of foreign exchange rate changes	-561	298
Cash at end of period	**1,304**	**5,606**

Notes to the consolidated financial statements
For the period ended June 30

1) General information

HITT N.V. ('the Company') is a listed company incorporated in the Netherlands.

The company directly or indirectly owns the following subsidiaries as at June 30, 2010:

Company name	*Place of establishment*	*Percentage of ownership*
HITT Holland Institute of Traffic Technology B.V.	Apeldoorn, The Netherlands	100.0
HITT (HK) Ltd.	Hong Kong, People's Republic of China	100.0
Quality Positioning Services B.V.	Zeist, The Netherlands	100.0
Quality Positioning Services Inc.	Houston, Texas, U.S.A.	100.0
Klein Systems Group Ltd.	Vancouver, British Columbia, Canada	100.0
Ad Navigation AS	Sarpsborg, Norway	51.0

Ad Navigation AS is consolidated in full, reflecting a non-controlling interest in equity and the statement of income.

All amounts in these interim financial statements and notes thereto are presented in Euro x 1,000 unless mentioned otherwise.

2) Basis of preparation

The interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as endorsed by the European Union and in accordance with IAS 34 *Interim Financial Reporting.*

3) Significant accounting policies

The condensed financial statements have been prepared on historical cost basis, except for provisions and certain liabilities that are based on present value and certain financial instruments that are based on fair value.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended December 31, 2009. There was no impact of adoption of new or changed Standards and Interpretations on HITT's financial statements in this interim report.

As opposed to previous interim reports, the group decided to disclose financial statements as shown in the annual report rather than condensed financial statements.

4) Segment information

In line with the segmentation applied in the annual report 2009, the Group's reportable segments are as follows:
- Traffic (consisting of Aviation, Marine and Port Management systems)
- Hydrography and navigation

The financial information per segment is as follows:

	Six months period ended 30-06-2010		Six months period ended 30-06-2009	
	Traffic	Hydro & Nav	Traffic	Hydro & Nav
Revenue	13,747	2,537	13,925	2,436
Operating profit (loss)	418	341	-1,366	422
Total assets	21,552	3,446	14,363	3,142

All of the segment revenue reported above is from external customers.

The operating profit (loss) per segment includes an allocation of central administration costs, directors salaries, and general and administrative costs.

Reconciliation to the consolidated income statement:

	Six months period ended 30-06-2010	Six months period ended 30-06-2009
Operating profit (loss) of segments	759	-944
Shareholder and other costs	-18	-361
Operating profit (loss)	741	-1,305

5) Product development and impairment

There were no indications of impairment which resulted in impairments of capitalized development costs in 2010 (2009: EUR 193). The amount in 2009 was included in the depreciation and amortization expense. Also in 2009 part of the product development costs were expensed in order not to exceed the recoverable amounts. This amounted to EUR 370 in 2009H1 (2010: nil).

6) Reorganization

On April 23, 2009 a reorganization in Apeldoorn was announced where part of staff is made redundant. For this purpose a provision for restructuring costs of EUR 570 was included in the statement of financial position at June 30, 2009. The reorganization was finalized in the third quarter of 2009.

7) Discontinued operations

No companies were acquired or sold during the current period.

The result on discontinued operations in 2009 concerned subsequent earn-out considerations with regard to the sale of ICAN and AIS Live in 2008. The negative result of discontinued operations in 2010 concerns an anticipated tax payable as a result of changed views on tax deductibility of costs related to the sale of ICAN an AIS Live.

8) Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the parent is based on the following data:

	Six months period ended	
	30-06-2010	30-06-2009
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	4,694,158	4,694,158
Effect of dilutive share options	-	-
Number of ordinary shares for the purpose of diluted earnings per share	4,694,158	4,694,158

9) Dividends

In March 2010 a cash dividend of EUR 0.14 per ordinary share was paid to the shareholders.

10) Seasonability of operations

The operations of HITT are not subject to significant seasonality or cyclicality of market circumstances.

11) Changes in estimates of amounts reported in prior periods

There were no changes in estimates of amounts reported in prior periods.

12) Contingent liabilities

No significant changes have occured in the current period since the end of the previous reporting period.

13) Related party transactions

Transacties with related parties concern the charge of a parent company fee to wholly owned subsidiaries for services rendered and the financing of operations of subsidiaries as described in the annual report 2009 on page 49.

Due to the retire of Mr. Prinsen as Supervisory Director and Mr. Van Asperen as Chief Financial Officer in March 2010, the remunerations to these shareholders (which were considered as related party transactions) ended by then.

14) Events after the end of the reporting period

No significant events subsequent to the end of the interim reporting period have occured.

Management responsibility statement

This report contains the semi-annual management report and the consolidated semi-annual financial statements of HITT N.V. over 2010. The information in this semi-annual report is unaudited. The semi-annual report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. This semi-annual report does not contain all information as required for the annual report. Therefore this report must be read in conjunction with the consolidated annual report 2009.

The members of the Management Board hereby declare that, to the best of their knowledge, the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole, and the semi-annual management report gives a true and fair view of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

Apeldoorn, August 24, 2010

Management Board

Sjoerd Jansen (CEO)

Martin Schuiteman (CFO)

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 2009 HITT achieved a revenue of EUR 32 million and a net profit of EUR 0.3 million. The number of staff at year-end 2009 was 161. HITT has been listed on Euronext Amsterdam NV since June 1998.

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