HITT nv

HITT
Annual report 2008

Table of contents

Message from the Management Board

To the shareholders, customers, partners and employees

In 2008 we saw a significant increase in profit on a lower turnover relative to last year. Increased profitability was due to improved operational results and onetime revenues from the disposal of our participating shares in AISLive Ltd of Redhill, United Kingdom ("AIS") and the sale of our wholly owned subsidiary ICAN Ltd of St. John's, Newfoundland ("ICAN").
The lower turnover was due to the sale of ICAN and AIS and a shift in product mix. The revenues generated by ICAN and AIS have not been included in the annual figures for 2008, except as discontinued operations.
There was a shift in revenue from projects for Vessel Traffic Services (VTS) in favor of Air Traffic Control systems (ATC). Since the VTS systems carry a larger component of costly third party sensors which generate higher revenue but a lower margin, the increase of ATC related revenue resulted in overall higher margins. It is typical for this ratio of ATC related revenue to VTS related revenue to vary from year to year.
While margins generally improved compared to last year, we experienced some cost overruns in the transition to larger port management systems due to increased complexity. Sales of hydrographic systems continued to increase which compensated for the lower earnings due to the disposal of AISLive.
At the end of the year our cash position increased due mostly to the improvement of our operational earnings which recovered from the low level experienced in 2007. The proceeds received from the onetime disposal of assets further improved our year-end cash position. This is a positive position to be in given the current uncertain global economic environment.

Product developments

As in past years, our software products have continued to be upgraded and improved upon. New steps were taken to add new functionality and increase stability through the application of time based releases. This has increased the possibilities (depending on the application) to co-operate with a network of resellers or local partners.
In 2008 progress was made in the development of web-based products that can increase the efficiency of customers' operations. To this end we make use of data that is collected by traditional traffic systems. The first systems have been implemented and are put to use with airline companies.
Our knowledge and application of systems for precision positioning and navigation systems has been strengthened further in 2008. This has led to wider application of these systems and consequently, an expansion of our customer base.
For the development of our port systems we make use of what is known as N-Tier technology. This enables a modular design of our systems and enables these systems to be implemented in a larger scale. The new software was successfully introduced to customers in Australia and the Netherlands.

Organizational development

At several key positions, the organization has been strengthened. This has resulted in an improvement of management of contracts, legal affairs, purchasing, sales, projects and human resources. A new managing director took office at Klein Systems Group Ltd. (KSG) on April 1, succeeding the founder of the company.
At our offices in Apeldoorn a task-force was initiated for the acquisition and implementation of port management projects for KSG in Europe. The project for the Port of Amsterdam was completed successfully and the project for the Zeeland Seaports is well on its way of completing successfully in 2009.
A start was made in transforming HITT (HK) in Hong Kong from a local service office to a full branch office that can independently acquire and implement ATC (air traffic control) and VTS (vessel traffic services) projects. This organization will implement the project for the expansion of a previously supplied VTS system for the Port of Hong Kong that was acquired in September.
As of September 1, 2008, QPS-US Inc., was incorporated in Houston, Texas to support the sales of software products for the hydrography market.

Market developments

Our sales and market position for hydrographic software products have continued to strengthen. Important breakthroughs were made in Norway and Australia. The products to support precision positioning and precision navigation are very promising.
Our position in the international ATC market has clearly improved in 2008. We acquired important projects in Russia, Spain, India and Turkey.
Australia and the Netherlands were the most important markets for port management systems in 2008.
The recent order in Hong Kong is an important incentive to expand our activities in the Far East.

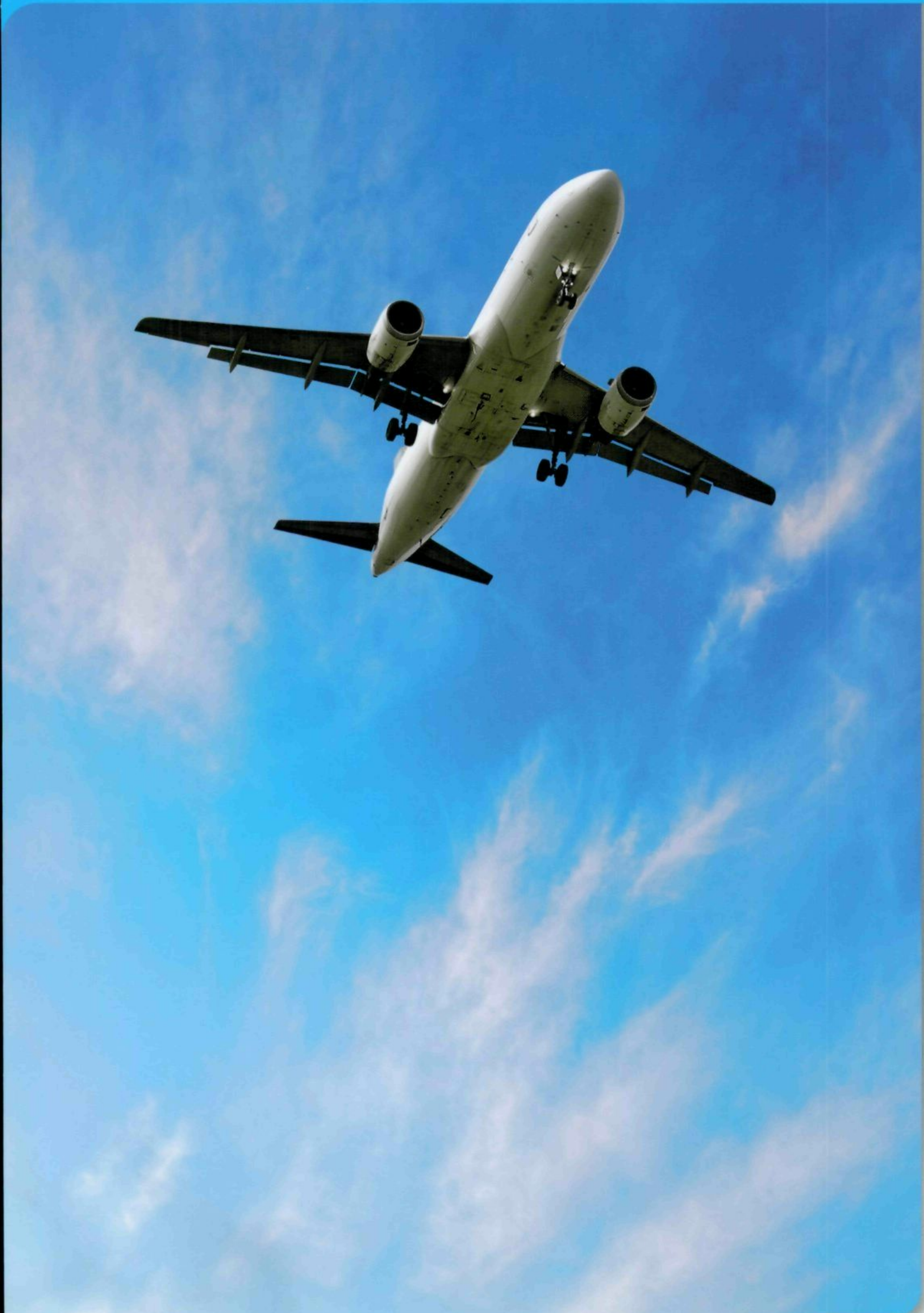
Outlook

Our customer base mainly consists of government and quasi-governmental organizations. Although governments around the globe plan to continue to invest to support the economy, the worldwide financial crisis and recession may slow down our order intake. Despite this development, our efforts to increase sales will be intensified. When implementing projects, we strive for co-operation with (local) partners to improve our competitiveness and to maintain profitability.

We thank our employees for their knowledge, expertise and dedication, and thank our shareholders, customers and partners for their support and confidence.

Sjoerd Jansen (CEO)

John van Asperen (CFO)



Profile

HITT operates in the international market for safety, security and efficiency of nautical and air traffic. With 166 highly skilled staff, and with operating business units in Europe, North America and Asia, the company takes leadership positions in the specialized markets for traffic control, navigation and hydrographic systems. The company excels in knowledge intensive software solutions and systems integration in real time applications.

Vision

HITT's vision is based on the premise that safety, security and efficient capacity utilization are the drivers for the requirements in the marine and aviation industry market for software dominant system solutions.
Adherence to safety and security standards, the latter derived from homeland security requirements, are prerequisites for authorities that take responsibility for airports, seaports, coastal and inland waterways. While striving for efficiency, key players in the maritime and aviation industries will have to operate within these constraints when providing services for the movement of passengers and goods. Accurate, real time surveillance, survey and navigation information is essential in assisting authorities to meet these challenges. HITT serves this growing demand by providing of innovative software solutions, systems integration, and where needed, with selling data.

Strategy

HITT's strategic business goal is to achieve and maintain a leadership position as a solutions provider that develops software dominant applications in the domains of Navigation, Traffic and Transport (including the area of logistic support). The company focuses on providing systems to support the management of marine and aviation traffic.
HITT's leadership in these markets is enhanced through the development of a unique combination of knowledge of traffic guidance, navigation, resource planning and related specializations such as hydrography, GIS (Geographic Information Systems), information and communication systems. It is the prime objective of HITT to achieve profitable growth in the market area of traffic technology. From the strong product-market position described below, HITT will further grow and expand. Key elements in supporting this growth strategy are:

- Strengthening HITT's recognized position as a leader in innovative cutting edge technology;
- Expanding HITT's capabilities in the global market by adapting the product range to local requirements;
- Continuously improving service and product upgrade support to the growing number of existing customers. HITT is optimizing the value proposition by long term commitment to its customers, providing them with high quality but low lifecycle cost;
- Establishing key relationships with strong partners who have complementary strengths and are preferred suppliers of our customers.

In addition to its long-term strategic goals, HITT continuously adapts its operation to prevailing market and economic conditions. The present economic circumstances have not impacted HITT yet, but might have influence on the longer term if customers delay their investments. Obtaining and maintaining a strong financial position has always been a vital element of our strategy. However, under the current economic pressures, HITT will have even more stringent attention to spending of costs, removing inefficiencies in the organization and hiring of new staff will be minimal and hired only on flexible terms. Our conservative strategy has paid off in 2008 and we expect to benefit further from it in 2009.

Product Market Combinations

In order to meet its objectives, HITT deploys a global niche market strategy. Within the wider context of traffic technology, markets in which HITT can achieve and maintain global market leadership are selected and pursued. The current focus is on those markets in which safety, security and efficiency are the main drivers. The areas of interest are the **Aviation** and **Marine** markets in which accurate and up-to-date information about aircraft, vehicle and vessel movements are of vital importance.

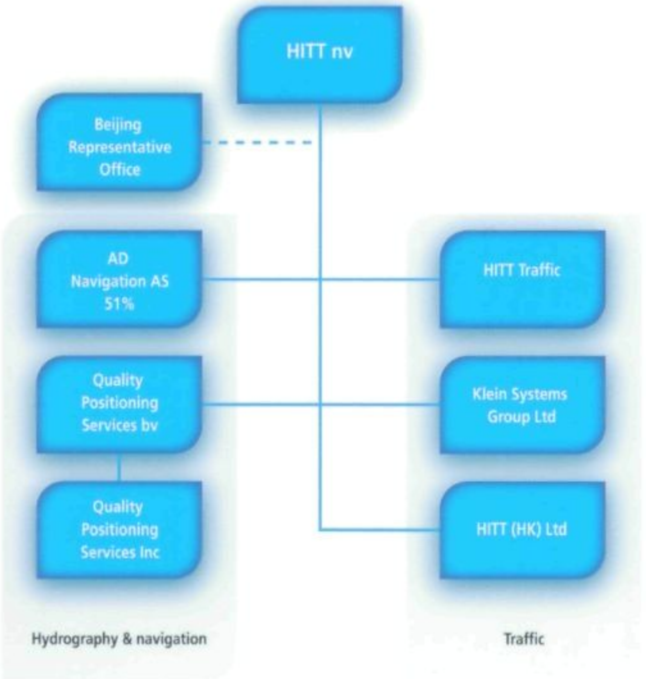
Organization

HITT N.V. (HITT) was incorporated under the laws of the Netherlands on May 20, 1998 as a public company with limited liability (naamloze vennootschap), having its statutory seat in Amsterdam. At this date it acquired all shares in HITT Holland Institute of Traffic Technology B.V. that was incorporated on January 28, 1994. HITT shares are listed at Euronext Amsterdam.

During the year it was decided that AISLive Ltd of Redhill, United Kingdom and ICAN Ltd of St. John's, Newfoundland, did no longer fit with HITT's strategy. Subsequently the participating shares in both subsidiaries were divested.

The corporate structure of HITT comprises a holding company, 5 subsidiaries and one representative office.
The figure below shows the corporate structure as of December 31, 2008.

- HITT Holland Institute of Traffic Technology B.V. (HITT Traffic) is active in the Air Traffic Control and Vessel Traffic Services markets
- Klein Systems Group Ltd specializes in management systems for harbors
- HITT (HK) Ltd serves as a local office to support existing customers in Asia and to expand HITT's activities in that region.
- Ad Navigation AS is a specialist in satellite supported positioning systems
- Quality Positioning Services B.V. and its wholly owned subsidiary QPS US Inc, specialize in the market for Hydrographic Surveying and Navigation Support.



HITT has a two-tier Board consisting of a non-executive Supervisory Board and an executive Management Board.

The Supervisory Board consists of 4 members. None of the members is a member of more than 5 supervisory boards of stock listed companies in the Netherlands:

J. Albert Stroink (male, 1943, Dutch) is Chairman of the Board as of March 5, 2008 with a 1st term of appointment until 2012. Mr. Stroink was a former Managing Director of Chalmette Refining LLC in Louisiana USA, a joint venture of ExxonMobil and PDVSA Venezuela. Mr. Stroink was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

Eric A. van Amerongen (male, 1953, Dutch) is Vice-Chairman and joined the Board as a member as of March 29, 2002 with a 2nd term of appointment until 2009. He is the former CEO of Royal Swets & Zeitlinger Holding N.V. and is currently chairman of the Supervisory Boards of Thales Nederland B.V., Vice-Chairman of the Supervisory Board of ASM International N.V., member of the Supervisory Boards of Imtech N.V., Ortel Mobile B.V. and ANWB respectively and Chairman of Centraal Bureau Rijvaardigheidsbewijzen and Senior Independent Non-executive Director of Shanks Plc. Mr. Van Amerongen was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

Hans Prinsen (male, 1937, Dutch) joined the board as a member as of July 1, 2000 with a 3rd and final term of appointment until 2010. Mr. Prinsen was the former Chief Executive Officer of HITT and as such has in-depth knowledge of the market and the organization. Mr. Prinsen is the only non-independent Supervisory Director as he indirectly holds the majority of shares.

Jan E. Vaandrager (male, 1943, Dutch) joined the board as a member as of March 5, 2008 with a 1st term of appointment until 2012. Before his retirement Mr. Vaandrager was member of the Executive Board and Chief Financial Officer of TKH Group N.V. Mr. Vaandrager is considered to be the financial expert within the Supervisory Board. Mr. Vaandrager was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

The Management Board consists of:

Sjoerd Jansen (male, 1954, Dutch) is Chief Executive Officer and statutory director as of October 1, 2007 as appointed by the Annual General Meeting of shareholders on August 27, 2007 with a term of 4 years. Mr. Jansen was the former Director Business Development of Strukton Railinfra and Managing Director of Strukton Systems. Mr. Jansen holds no other board positions. Mr. Jansen was not employed by HITT before he was appointed Chief Executive Officer and does not own HITT shares. Mr. Jansen is an educated electrical engineer (B.Sc.) at the Institute of Technology in Rotterdam.

John H.M. van Asperen (male, 1958, Dutch) is Chief Financial Officer and non-statutory director. He is employed by HITT as of March 1, 1994. He held several management positions at Civil Systems Department of Hollandse Signaalapparaten B.V. before he participated in the management buy-out of this department transforming it into HITT. Mr. Van Asperen holds no other board positions and he indirectly holds HITT shares. Mr. Van Asperen has a master's degree in electronic instrumentation engineer from the Technical University of Delft.

Report of the Supervisory Board

To the shareholders

Supervision

The Supervisory Board is honored to report on its activities in 2008. The role of the Supervisory Board under Dutch Law is to supervise the policies of the Management Board and the general affairs of the company and its affiliates, as well as to assist the Management Board by providing advice. It supervises the achievement of the company's objectives, the corporate strategy and associated risks, the structure and operation of the internal risk management and control system, the financial reporting process and the compliance with legislation and regulations. In discharging its role, the Supervisory Board is guided by the interests of the company and its affiliates, and takes into account the relevant interests of the company's stakeholders. The Supervisory Board is responsible for the quality of its own performance.
The Supervisory Board complies with the Dutch Corporate Governance Code (the 'Code') with the exceptions as reported by the Management Board. All members have taken due notice of the Code as well as the impact on the Board as a whole and on the Supervisory Director personally.

The Supervisory Board conducted 6 formal meetings with the Management Board covering amongst other items, HITT's shareholders' issues, business development, company performance, planning and budget, external and internal auditing mechanisms, risk management, personnel and social affairs, corporate governance and the profile of the Board as well as possible co-operation with partners. Information provided by the Management Board was presented in due time giving the Supervisory Board ample time to perform its duties. No Supervisory Director was frequently absent. Monthly telephone conferences were held to exchange up to date information. Informal meetings regularly took place between members of the Management Board and members of the Supervisory Board. Meetings were held without the presence of the Management Board to evaluate the Supervisory Board's own functioning, personal skills, its independence, the need to amend its profile and its composition. Following that evaluation no Supervisory Director had to retire early.

Also the functioning of the Management Board as a corporate body of the company and the performance of its individual members were discussed.

Management continues to adapt the profile of the company to reduce the risks associated with a project driven company by entering into other product market combinations, such as navigation-on-board and management of harbor operations. Synergies between companies in the group are being fostered. Measures to strengthen the market position and to attain a stronger competitive edge have been discussed between the Boards extensively. Every quarter, a full financial report including balance sheet, profit & loss account and cash flow statement as well as a running year-end forecast were provided by the Management and discussed to ensure that the Supervisory Board had a clear insight in the current status of the business. The monthly figures are also provided to the Supervisory Board. The financial position remains strong. The policy of Management has focused on a balanced treatment of all stakeholders: employees, suppliers, customers, shareholders and society. Risk assessment and control mechanisms are in place and supported by, amongst others, the stringent business planning cycle within HITT (see page 18, Risk Management and Internal Control). This planning cycle has been in place throughout the existence of HITT. It is refined annually and has proven to be adequate. The Supervisory Board has assessed the control mechanisms and risks are discussed regularly with the Management Board and the external auditor. The Supervisory Board is of the opinion that given the size and the nature of the company, control mechanisms are adequate. These mechanisms however, cannot prevent unforeseen circumstances in the market resulting in the necessary adaptation of earlier expectations and the subsequent publication and consequences thereof.

Composition

The Supervisory Board has established a schedule of rotation. Supervisory Directors are nominated for a term of 4 years in accordance with the Code. As a result Mr. Sinninghe Damsté stepped down during this year's Annual Meeting after his 3rd term. He has been the Chairman since HITT's Initial Public Offering in 1998. He brought vast experience both in financial matters as well as in listing matters. The Board expresses great gratitude for his contributions. The Profile and skills have been discussed in the meeting of the Supervisory Board in which its own functioning was evaluated. It was decided that the profile is still in line with the developments of the Company and its market position. The Profile and the Rules of Procedure describing the qualifications and responsibilities of the Supervisory Board and its individual members can be viewed on HITT's web-site.

Following Mr. Damsté's resignation it was decided to expand the Board to 4 members dividing the duties of the Chairman and the Financial Expert.

The following outlines the Supervisory Board's area of expertise:

	Stroink Chairman	Van Amerongen Vice Chairman	Prinsen	Vaandrager
General management skills in larger organizations operating internationally deploying technically oriented projects, services and products	X	X	X	X
Experience with Supervisory Boards of (stock listed) companies	X	X	X	X
Knowledge of markets, market development, marketing and sales activities and tendering that are characteristic for internationally oriented companies active in the market for technical projects primarily meant for authorities as a customer		X	X	
Experience with IT-applications to improve efficiency, effectivity, safety and profitability	X	X	X	
In depth experience with risk management in international projects and safety and an open eye towards issues regarding environment and sustainability	X	X	X	X
Knowledge of and experience with financial management, business financing, controlling, reporting and auditing	X	X		X
Experience with human resource management, employment and remuneration in a technical oriented company	X	X	X	X

The Regulations contain, amongst others, specific rules of procedure for the handling of (potential) conflicting interests. During 2008 no such (potential) conflicting interests occurred. In our opinion the Supervisory Board is composed such that members are able to act critically and independently of one another and of the Management Board and any particular interests. All Supervisory Directors are familiar with HITT and its business and have been so for a some considerable time. Due to the specific qualifications of and present activities employed by the individual Supervisory Directors no specific additional education has been considered necessary during the year. Due to the size of the company, a Company Secretary has not been appointed, however the Chief Financial Officer acts as such which is considered adequate and prudent. The Supervisory Board sees to it that it adheres to its statutory obligations and obligations under the Articles of Association.
As the Board consists of less than five members no separate committees have been formed. However, the duties of committees have been described in Rules of Procedure and the Supervisory Board acts accordingly under each committee. The Rules can be viewed on the company's website.

Audit Committee

A charter is established describing the framework of the responsibilities of an Audit Committee; it has been extensively discussed with the external auditor. In all plenary meetings of the Supervisory Board at least the latest monthly financial statements, forecasts and budgets were discussed. The semi-annual and annual figures and reports were discussed in detail with the External Auditor. In the capacity of Audit Committee the performance of the External Auditor was reviewed and it was decided to propose a change in auditor from BDO CampsObers to Deloitte Accountants. This occurred at the Annual General Meeting of March 8, 2008. They were subsequently appointed. The former auditor issued a management letter on the Annual Report of 2007 and recommendations have been discussed in detail with both Boards. Progress on the recommendations was monitored during the semi-annual review. All recommendations were implemented in the year 2008.

The Auditor has had free access to information they require to conduct their audit. The External Auditor was asked to provide comments on the semi-annual and annual press releases and reports and was invited to attend the meetings during which the semi-annual and this annual report were approved. The Audit Committee has received the External Auditor's report in relation to the consolidated and company financial statements. Over the year 2008, the External Auditor has issued a management letter and progress will be reviewed during the semi-annual review in 2009. A meeting took place between the Supervisory Board and the External Auditor without the presence of the Management Board to discuss the report, the framework of internal control and the auditing mechanisms, which were confirmed to be adequate. The former External Auditor was present during this year's Annual General Meeting and the Audit Committee has also invited the External Auditor to be present in the coming Annual General Meeting of shareholders. When the need arises, the External Auditor may request the Chairman of the Supervisory Board to be allowed to attend our meeting regarding audit committee subjects.

Remuneration Committee

The remuneration policy applied by the Supervisory Board with regard to the remuneration of the Chief Executive Officer is in principle one of market conformity, taking into account the specifics of the company.

The Annual General Meeting of 2008 authorized the Supervisory Board to revise the price basis of the remuneration package that was obtained from the external professional consultant in 2003. This resulted in a new range for the fixed annual salary from € 194,000 to € 234,000 (earlier € 150,000 to € 220,000). The short-term and long-term incentive scheme did not change and consist of an annual cash bonus of 30 to 40% of the fixed salary depending on realized net profit against the budget target plus 15% of the fixed salary in cash in case the realized total net earnings per share supersede the planned EPS in the agreed three year business plan for that period. The other emoluments, like pension plans, were not changed. The Supervisory Board has discretionary authority to grant a cash bonus of up to 20% of the fixed salary replacing the regular bonus, in case targets set for the annual cash bonus are not met for reasons beyond the influence of the Management Board. The remuneration of the non-statutory CFO is subject to approval by the Supervisory Board. The actual remuneration scheme in effect is detailed in the financial statements. The Supervisory Board feels that the current remuneration policy is adequate and sufficiently competitive.

Selection and Appointment Committee

According to schedule, Mr. E. van Amerongen is to resign in the General Meeting of shareholders on March 3, 2009. He is available for re-appointment.

Financial statements

The Supervisory Board presents the Annual Report drawn up by the Management Board dated February 2, 2009. Deloitte Accountants B.V. has audited the financial statements. The External Auditor's report has been included on page 53 of this annual report.

We submit the financial report and the proposed distribution of profit for shareholders' approval at the Annual General Meeting of shareholders. At that meeting, shareholders are also invited to discharge the Management Board for conducting the business and to discharge the Supervisory Board for the supervision they have pursued.

We wish to express our sincere appreciation to the Management Board and to the personnel for the dedication and enthusiasm with which they have fulfilled their challenging tasks in a competitive market. Based on the continuing sound financial position and the focused organizational structure, HITT is well positioned to take full advantage of opportunities in the future.

Apeldoorn, February 2, 2009

J. Albert Stroink (Chairman)

Eric A. van Amerongen (Vice-Chairman)

Hans Prinsen

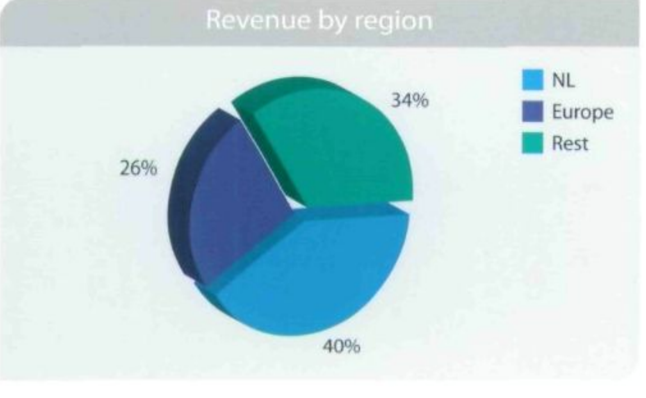
Jan E. Vaandrager

Report of the Management Board

Revenue of € 34 million, from all sources in 2008, was even was with that of the prior year. Revenue from products and project sales decreased slightly from € 32 million to € 31 million in 2008, mainly due to a shift in product mix. Results from continuing operations increased to € 1.1 million in 2008 dispite the slight drop in revenue from product and project sales. Although during the past 5 years some acquisitions and divestitures took place there is an overall trend of growth.

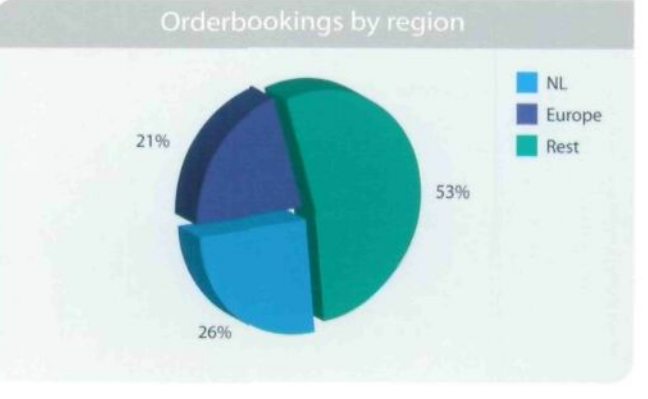
The operating result grew by € 1.0 million to € 1.4 million (2007: € 0.4 million). This better margin on lower revenue was generated on a change in product mix in favor of air traffic over vessel traffic related projects. Vessel traffic related projects typically require the purchase of a larger amount of third party supplied materials which results in higher revenues but lower margins.

As the markets on which HITT concentrates its activities are truly global in nature, the revenues distribute accordingly. In 2008 the markets were divided over the Netherlands (40%), the rest of Europe (26%) and 34% of revenue came from the rest of the world.



With a total of € 39 million new order bookings (2007: € 30 million), the year ended with an order backlog of € 33 million (2007: € 26 million). The resulting backlog at year end is satisfying, considering that a quarter of this order book covers long term assignments. Our markets typically require flexibility in capacity to take on new work for immediate execution.

The geographical distribution of the intake illustrates the international nature of HITT's markets: 26% in the Netherlands, 21% in the rest of Europe and 53% in the rest of the world.



The pipeline of outstanding proposals and prospects for 2009 and beyond is good in relation to our growth ambitions.

Market

The market channels that HITT uses to address the different market opportunities have been developed in line with the strategy to further optimize contacts with and service to customers. There are several networks of distributors, value added resellers (some OEM), agents and partners in place. Also direct lines to the market are maintained. These networks are managed per business unit, taking into account the specific needs of each product / market combination. In a growing number of cases, joint efforts are made together with other suppliers. Per country, there is a good cross-division awareness of the different channels to markets.

With regard to hydrographical products, the global network of distributors and resellers continued to expand. In order to optimize support to customers, we select value added resellers that keep a first line support competence. In North America we have a full marketing and support office.

With regard to projects for traffic control systems, there is a continuous review of the performance of consultants and partners. HITT Traffic's new strategy is based on reinforcing and further expansion of its position in Europe, India and the Far East. In order to strengthen the competitive position in the Far East, an initiative was taken in 2008 to fortify the existing office in Hong Kong in the area of commerce and project management, supported by the branch-office in Beijing. For the other regions and for capital-intensive projects, cooperation with major system suppliers and local partners has been intensified. In addition, HITT is investigating markets for its existing products on all the other continents. In particular, new opportunities arise, in the broader market segment, for internet technology-based information systems.

HITT's position in the Netherlands has been consolidated with many new projects for existing customers. With a growing number of customers in Europe, Turkey, India, Australia, the Middle and Far East and the USA, HITT's global presence has further increased in 2008. Some of the products have reached unchallenged leadership positions (e.g. Qastor has become the de-facto standard for maritime pilots). Others have moved into shared top positions (e.g. A3000 - ASMGCS for air traffic control on airports, KleinPort for the Management of Port Operations), while our new products (e.g. V3000 – ISIS, V3000 – TradisLite, A3000 - AirportInsight) have already been embraced by some of our new and existing customers.

Via its Canadian subsidiary HITT furthermore focuses on enterprise level optimization software where all parts of the operations are managed and co-coordinated through KleinPort resulting in a port's maritime domain awareness and efficient, safe and effective operations. KSG has a strong and growing worldwide presence with significant presence in the US, Australia and Europe. In many cases, ports have opted out of the cumbersome RFP (Request For Proposal) process to elect KSG as the preferred supplier due to the company's significant competitive attributes. Additional products for the global maritime business include KleinPilot and KleinTug.

Although obviously product market combinations can be distinguished, the company is a one segment company: software dominant, traffic related technology for guided traffic.

Lower turnover and improved results characterize the year 2008 for HITT Traffic. This was the result of a change in mix of air traffic versus vessel traffic related projects. Air traffic related projects tend to involve less purchased materials resulting in a lower revenue volume but a simular contribution margin compared to vessel traffic related projects. HITT's "own" contribution is more or less equal in both types of projects.

The table below HITT's revenue by market segment:

x € 1,000		2008		2007
	%		%	
Aviation traffic	36	11,163	30	9,439
Marine ashore	29	8,982	38	12,313
Marine onboard	17	5,184	14	4,318
Technical services	18	5,517	18	5,754
	100	**30,847**	**100**	**31,824**

Product market combinations

The world-wide market environment of HITT is dominated by government and quasi government entities that have public responsibility for infrastructure, security, safety and environment. Furthermore, HITT serves a growing number of customers with primarily commercial objectives. This market consists of organizations that use the infrastructure (airports, ports, waterways, pilotage, etc.) or contribute to various services to support the operations.

Aviation

HITT's customers in the Aviation sector, primarily consist of Airport authorities, Airlines (passenger and cargo), regulated and deregulated ANSPs (Air Navigation Service Providers), Service Organizations (emergency services, security services, fire-brigade, etc) and Air Forces. The general longer term trend is growth of the number of air traffic movements resulting directly in growth of the market volume, but also price erosion. However, this will be compensated by a demand for increased functionality, resulting in an expected gradual growth in total market value of approximately 5% to 7% year over year. During world-wide economic crisis we expect the Aviation sector to experience stagnant growth. The global economic crisis changes our customers' focus towards further efficiency improvements for which HITT has several solutions. This forces our customers to focus more on efficiency improvements for which HITT has several solutions. Furthermore, over the next years, the privatization process of Air Navigation Service Providers will continue, driven by pressure from airlines to lower operating cost and increase capacity. Another driving force in this market is the push from airlines for free routing, to achieve fuel savings. In the wake of this general trend towards more economic operations, major hubs face increasing competition from low-cost carriers operating on smaller (satellite) airports. Furthermore, security is prominently present on the political agenda and safety remains an important condition for acceptance of any new system.

HITT has developed several products to cover the needs of the market:

A3000 A-SMGCS: An Advanced Surface Movement Guidance and Control System to assist controllers in guiding and controlling aircraft and vehicles on the airport.

A3000 AirportInsight: A Traffic Information System allowing airport authorities to provide detailed traffic information to their internal organization and third parties on the airport.

HITT's aviation products are applied and serviced in a growing number of countries, including the Netherlands, Germany, Spain, India, Turkey, Ireland, Sweden, Denmark, Norway, Finland, UK, Russia, Egypt, Singapore, Taiwan, People's Republic of China and South Korea.

Aviation orders were received from existing customers on the international airports of Shanghai (PRC), Stockholm and Bergen (Norway), Copenhagen (Denmark), Helsinki (Finland), Cairo (Egypt) and Dublin (Ireland) as well as from new customers on the international airports of Ciudad Real (Spain), Vnukovo Moscow (Russia), Mumbai, Kolkata and Chennai (India) and Ankara, Istanbul and Antalya (Turkey). In December 2008 HITT responded to the request for assistance from the Indian Aviation Authorities on the Delhi Airport during the first landing of an Airbus 380. HITT established its ability and reliability to deliver radar coverage in an extremely short period and under a tenuous situation resulting in a high level of customer satisfaction.

Revenue of aviation products increased from € 9.4 million in 2007 to € 11.2 million in 2008, mainly due to the relatively large projects for 3 airports in India and the upgrade of the Cairo Airport system.

Marine – ashore

Marine customers of HITT products are authorities being responsible for the acquisition and operation of VTS (Vessel Traffic Services) centers, vessel operators, pilot organizations, Port & Terminal operators, offshore operators and increasingly security organizations. For VTS centers, HITT's 'traditional' market, price erosion is also expected, resulting in a lower price of entry for new competitors. Success will therefore almost entirely be price driven, while the overall market value continues to decrease. Trends in this market include innovations in various areas, such as the integration of VTS and Port Management Systems towards Vessel Traffic Management systems and the connection of various VTS centers to get country-wide or even continent-wide situational awareness of the movement of vessels.

Unlike the market for VTS centers and air traffic, the market for Port Operations software is not subject to the same level of price competition. The market for maritime software, specific to Port Operations, is at a changing point where traditional in-house developed and managed software systems of 10-15 years ago are being replaced by products from a known and trusted software provider. A new generation is beginning to emerge in Port Authorities where further cooperation, inter-port communications, and standardization of processes are all being sought and encouraged by the authorities themselves. The demand is for scalability, configurability, and for maintenance of a system to be by a software provider rather than by the port's own employees. These market trends fall in line with KSG's product offerings. In addition KSG's reputation for both port operations systems and pilotage systems brings a significant level of known and trusted expertise to the market, limiting in many cases the need for customers to go for a tendering program.

Like in aviation, a general trend in the marineshore market is privatization as a consequence of a shift in attention from safety to efficiency. On top of that, security is an important issue, requiring the integration of adjacent and complementary systems. As a consequence, the willingness to adopt and accept new technologies in support of efficiency and security increases, although VTS is still a follower of ATC (Air Traffic Control) with respect to innovation in Communication, Navigation and Surveillance systems.

The market for Coastal Surveillance System (CSS) primarily consists of security and defense oriented organizations, such as Navy, Marine Police, Customs & Immigration and various Security Service organizations. CSS is more and more becoming a subset of large integrated homeland security systems. In this area two types of markets can be distinguished. The first is the upgrading and integration of existing facilities with more sophisticated functionality and the second is the acquisition of complete new systems. The market is expected to gradually move from the acquisition of new systems to upgrading of Coastal Surveillance Systems, including more sophisticated Electro-Optic devices and other sensors.

In addition to the traditional HITT markets, there are two emerging markets. The first is the security market in response to terrorist threats. The increased awareness of such threats has given an impulse to the need for systems that provide information about the movement of objects, around airports, land borders, public transport, etc. This has resulted in a new market for HITT consisting of a wide variety of potential customers, and the market volume is still growing dramatically. Another emerging market is the military market that increasingly applies COTS (Commercial Off The Shelf) equipment. Worldwide, many countries consider the acquisition of semi-military surveillance systems based on and benefitting from developments in the civil market.

HITT has developed several products to cover the needs of the market:

V3000 VTMIS - Vessel Traffic Management and Information Services (VTS) system representing the services that a competent authority utilizes in achieving safe, secure and expeditious traffic flows in designated areas, such as ports, estuaries, rivers and coastal areas.

V3000 AramisLite - Traffic Information System allowing port authorities to provide detailed traffic information to their internal organization and third parties in the port.

V3000 CSS - Coastal Surveillance Systems to support Boarder Control, Customs, Smuggling preventions and Policing.

V3000 ISIS - integrated Surveillance & Information System aimed at providing information services by fusing and sharing sensors and other information sources for various groups of users (port authorities, coastguard, etc.).

V3000 Oil Platforms - A dedicated small Vessel Traffic Monitoring system aimed at improving the safety on oil platforms.

KleinPort - The suite of integrated port operations management applications is a true enterprise resource planning system allowing port managers to maximize productivity and make decisions with the most timely and accurate operational information possible. This suite of applications includes property management, billing, VTS and AIS integration, service provider co-ordination and management, and web-interfaces for agents and the community.

KleinPilot – System enabling pilot personnel to spend more time planning and monitoring, and less time collecting and organizing basic information needed to perform jobs. KleinPilot provides a safer, more efficient pilot operation by improving efficiencies and lowering costs.

KleinTug –System improving operational efficiency by maximizing the number of dispatched assignments due to tug and crew schedule optimization. KleinTug enables the fulfillment of stakeholders needs while complying with industry standards.

KleinBilling - System's integrated Billing Modules have demonstrated the ability to significantly improve organization's cash flow. Immediately upon completion of each voyage or pilotage 'assignment' on the Klein dispatch system, a customer invoice is available for final verification and delivery. The result is a measurable reduction in the average age of Accounts Receivable.

KleinTraffic - System used to enhance the maritime domain awareness of ports. The system starts with managing traffic flow in a region to managing and identifying risks in a port including compliance with ISPS code Port and Facility Plans, tracking of dangerous goods and managing incidents and delays. Additionally, the system's capacity to configure warning messages to notify users of any abnormal practices or omitted procedures gives Port management further assurances as to the effective and secure port activities.

KleinPort Gateway - Message broker between external applications and the KleinPort product. The KleinPort Gateway is based on an Enterprise Service Bus (ESB) and is flexible engine to exchange data. The product supports the multiple standard maritime interfaces such as:

• BERMAN	reports on moorings
• IFTDGN	registration of hazardous substances
• WASDIS	reports on waste materials
• CUSCAR	registration of port fees
• APERAK	confirmation of incoming messages to several parties
• IVS'90	administration of ships, cargos and routes in the Netherlands
• SafeSeaNet (SSN)	live exchange of ships' movements with neighboring countries in the EU

In addition any customer specific interface can be configured to embed the KleinPort system into the existing ICT environment of the Port.

Marine activities cover a wide range of applications world wide. In 2008 several advanced Vessel Traffic Management Systems have been delivered on the European market to improve safety and efficiency, including a state-of-the art VTS system for Venice, Italy.

Furthermore some 18 radars have been renewed and integrated in the VTS system of the Scheldt River. In addition, a unique product from HITT (ISIS) has been used to standardize future interface between various VTS systems in the Netherlands. Another growing market is that of Port Management Systems. The second phase of a project for the Port of Amsterdam has been completed, while significant progress has been made in realizing a contract for Zeeland Seaports.

Marine orders were received from Ports of Fremantle (Australia), The British Virgin Islands, San Francisco with additional orders from existing customers such as Kustwachtcentrum (Coastal Surveillance Centre), Zeeland Seaports, Havenbedrijf Rotterdam (midlife upgrade), Havenbedrijf Amsterdam (Port Management System 2nd phase), Hong Kong (additional radar) and the Schelde river (additional displays).

The vast worldwide installed base of HITT VTS systems requires regular modification and adaptation to changing environments. This after sales market catered to the majority of vessel traffic related projects.

The long awaited call for tender for a new system along the Noordzeekanaal in the Netherlands was finally issued in 2008. We have submitted a tender for the Noordzeekanaal that we believe is well matched to their needs and puts us in the best position possible with respect to this tender.

The project for the Gulf of Khachchh in India was rejuvenated after one of the third party suppliers on which HITT is dependent, made progress. Due to our continued and concerted commitment to this project, we received a progress payment and continue to have a positive relationship with the customer.

All other running projects progressed as expected.

For port management systems, the N-tier technology product platform continued through expansion and development of new modules and product offerings. Projects using this new technology are expected to go live in 2009. The new technology has opened a wider market for us and the products, having been invested in, are emerging as market leaders sought by ports around the world. Australia has become an increasingly important market.

At KSG, year-over-year revenue increased by 12% despite the delay in public tenders for two major ports. Net results were lower than expected however, due to continued difficulty in two sizeable projects entered into in past years. Management changes have taken place and we are encouraged by the results so far as KSG is emerging as a much stronger and leaner company. However taking into account the overall results in the past two years and in combination with the deteriorating global economic crisis, KSG's progress will closely monitored.

Total revenue of the marine-ashore products decreased from € 12.3 million in 2007 to € 9.0 million in 2008, mainly due to a smaller amount of large vessel traffic related projects.

Marine – onboard

Our hydrographic products can be found worldwide in all offshore and inshore operations such as dredging, multiband bathymetry, oceanographic research, site surveys, rig moves, marine construction support, pipeline/cable lay, ROV (Remotely Operated Vehicles) inspection and navy operations. Via a wide network of local resellers, we have penetrated the local markets in Europe, North America, Asia, Middle East and Australia. We have enhanced our services and support to our customers and resellers by opening a new office in Houston, Texas; home of the oil industry.

QINSy - Suite of hydrographic applications covering the whole range of inshore and offshore hydrographic activities, from data acquisition to chart production. This software suite is used most in dredging, multibeam bathymetry, oceanographic research, site investigation surveys, rig moves, marine construction support, pipeline/cable lay, ROV inspection and ENC production.

QLOUD - 3D area based cleaning and validation tool for large data volumes of 3D sub-surface data or terrain model data.

Qastor - precise navigation, piloting and docking software tool. Although primarily designed for piloting operations, Qastor has also proven to be a useful navigation tool in several other fields including, but not limited to, Ship Trials, Oil Rig Positioning, Inland River Barges, SPM Approaches, Ferry Operations, Oil and Gas Tanker Approaches and Docking, Patrol Vessels, Tugboat Operations and Dredging Support.

QPoS - RTK (Real Time Kinematic) reference network that allows users to determine their position within centimeter accuracy anywhere in The Netherlands using a combination of GPS and Glonass navigation satellites. Local sub networks of QPoS with close range reference stations can be used for extreme accurate applications such as a tunnel engineering project conducted by Boskalis in Oslo, Norway this year.

QPS has had an outstanding year again in 2008. The high quality of the products, together with a consistent product policy and an efficient and reliable helpdesk, ensures a leading marketing position. The key aspects are a gradual growth in turnover and profit and the additional reinforcement of the market position.

The products from Ad Navigation (51% participating share) are situated in the top end of the GNSS (Global Navigation Satellite Service) and navigation markets. The product portfolio ranges from Portable Pilot Units to high accurate GPS/Glonass survey systems used by dredging– and survey companies. The cooperation with QPS is important and results in innovative new products and applications for existing products. The QPoS network is also a big contributor to the sales of Ad Navigation.

The results of the joint venture AISLive (50% QPS and 50% Lloyds Register) are taken into account under results of discontinued operations together with the proceeds from the sale of HITT's participating share to the other joint-venture partner. The Management Board felt that AISLive gradually moved away from HITT's core business towards the publishing market.

ICAN was sold to CNS Systems A.B. of Linköping, Sweden in June of 2008 following the determination that its activities no longer fitt HITT's strategy to be the leader in the niches in which it operates. ICAN's results from operations as well as from the sale of shares have been included in the figures for discontinued operations.

Revenue of the hydrography and navigation products of continuing operations increased from € 4 million in 2007 to € 5.2 million in 2008, mainly due to an increase in software sales and rentals. Main markets are Benelux, Canada, USA and Australia with increasing sales to the Far East including China.

Technical services

HITT provides a full package of customer support services for all of its products. These services include preventive, corrective and adaptive maintenance, a 24/7 help desk and the supply of spare parts. This level of service enables HITT to achieve low lifecycle costs combined with a high availability of the safety critical systems that it delivers to its customers. It also comprises small projects and the secondment of personnel. In 2008 18% of the turnover of the company (€ 5.5 million) came from Technical Services and related support contracts (2007: € 5.7 million).

Technological Developments

Considerable investment has been made in developing new generation software products over the past years. These feature more efficient configuration and a shortened start-up phase of the projects, plus they are more reliable and easy to maintain. The value of these new developments has been proven in a number of successfully completed projects in 2007 and again in 2008.

Technological developments in five areas are particularly important to HITT:

- In the field of *Sensor Technology* the currently available Cooperative (AIS, ADS-B) and Non-cooperative (Camera, Radar) sensors will continue to form the backbone of surveillance systems. Although the intelligence of these sensors has increased, the general trend, mainly driven by security demands, is still towards having more sensors. For example, more camera types are becoming available (laser, low-light and infrared, CCTV). Sonar is also becoming more important. Therefore, the importance of data fusion increases.
- Trends in *Communication Technology* (both wired and wireless) are towards wider bandwidth, more reliable networks and lower costs. These trends make it possible to exchange large quantities of information between stationary-stationary, mobile-stationary and mobile-mobile objects. This development is especially relevant for exchanging validated traffic images. As a consequence, traffic information from different sources can be shared through a common data exchange format (IVEF) by different users, enabling them to optimize their own business processes (Collaborative Decision Making or CDM).
- In the area of *Navigation Technology*, development of Electronic Navigation Charts is important to HITT. The general trend is towards Geographical Information Systems (GIS), which are intelligent information databases based on geographical locations. GIS allows the superimposing of information from various sources into one geographically organized database.
- In the field of *Global Information Management Technology* the trend is that data management systems will be able to handle more data, become more flexible and will contain more intelligence for querying information (storage and retrieval of information). This means technology is becoming available for (real-time) statistical analysis based on large quantities of data, supporting for example decision making and operational process optimization.
- In the field of Port Management, we developed the next generation product utilizing an N-tier architecture to solve the increasing needs of ports to communicate and track information over a largely dispersed geographical region and to communicate a significant amount of information amongst many diverse and often conflicting users. The development of the market to co-ordinate and share information amongst common users to further the efficiency of the entire port visit from planning to departing, required further development and increased functionality through web services and through hand-held applications.

The technological developments described above are closely followed and form the basis for a continuous process of product improvements and innovations.

HITT continues to make significant investments in Research and Development, the size of which can be seen in the significant amount of capitalized development cost on the balance sheet.

As a result of ongoing development efforts, HITT offers leading technical solutions to the market. They are leading in terms of technology, functionality and life cycle cost. Good examples are our Integrated Surveillance and Information System (ISIS), our Advanced Surface Movement Guidance & Control Systems (A-SMGCS) for airport, our Vessel Traffic Management and Information Systems (VTMIS) for ports, inland waterways in coastal environments and our port logistical ERP solutions.

Development efforts are made by HITT itself and for research HITT co-operates with institutions and universities. Long term research relationships exist with National Aerospace Laboratory NLR and the Aeronautical faculty of Delft University.

HITT has a comprehensive line of products focused on meeting the requirements of the professional vessel and shore-based users as well as users in the air traffic control area. These products are developed using a standardized methodology that results in an extremely stable and tightly integrated ensemble. HITT also customizes its COTS (Commercial Off The Shelf) products for customers that have specific requirements that are not already addressed.

This has led to a suite of products that can be offered and tailored towards the specific needs of our customers.

Suppliers and partners

In both the Aviation and the maritime sector, there is a selected choice of suppliers for radars and Multi Lateration (MLAT) systems which are often part of the total scope of our projects. HITT is independent in the field of applying sensors and interfacing as a result of the standardization of products and the use of open standards.

For installation and construction activities, HITT relies on a wide variety of suppliers.

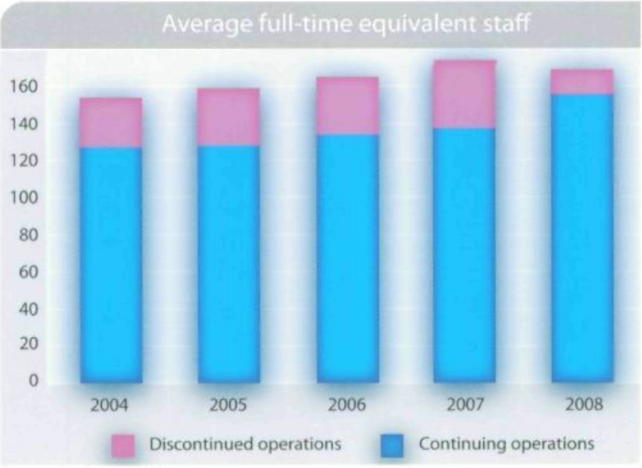
HITT supports the development of regional Value Added Resellers (VAR) for the realization of ATC and VTS projects in the Far East and India.

The standard hydrographical software products are supported by a global network of resellers.

Finally, HITT traditionally works together with a number of R&D organizations and Universities who provide valuable contributions to the continuous product development process.

Personnel and organization

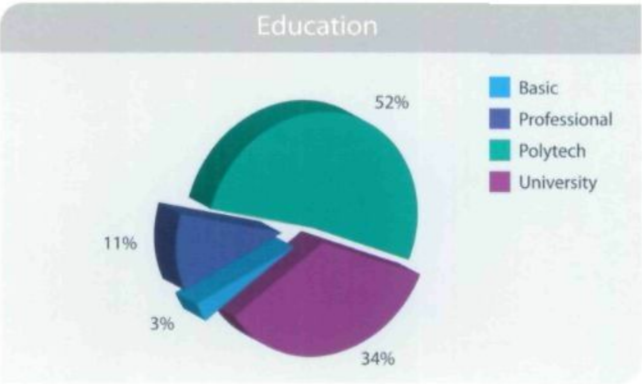
During the year the workforce increased to 167 at year-end (2007: 144). The average number of staff increased from 140 to 156.



HITT is a knowledge intensive company: it relies heavily on the up-to-date know-how of its staff and adequate knowledge management. Investments in personnel and the development of the organization are the key success factors of HITT. Training and education are an important factor contributing to HITT's unique selling points. Many hours and a considerable amount of money were spent on training and education in 2008. HITT is constantly monitoring relevant internal and external developments as it wants to contribute proactively to the performance of its employees and thereby HITT. Human resources and competencies are seen as a vital asset by the management of the company.

In order to stimulate the development of employees, HITT has implemented a Personal Development Plan. A climate has been created where empowered employees can grow to their full potential by their ingenuity, initiative and enterprising spirit. HITT employees describe their work as unique and dynamic and are enthusiast and proud of their job.

The average education level of HITT staff is high:



The high level of education combined with the required high level of domain expertise implies a relatively high average age of staff:

year	Total
Average age	43.8
Average employment	7.3
Average expertise	19.9

Weighted average illness decreased to a remarkably low 1.7% (2007: 1.8%) and is well below peer group average.

During 2008, the management had fruitful consultations with the Works Council. The works council was involved in a number of topics and discussions about the company's strategy, safety and risk issues, personnel policies and the competitive position of the company.

All HITT companies comply with HSE legislation (Health, Safety and Environment).

The culture of HITT is very open and all staff can speak freely. The hierarchy within the company does not prevent people from bringing in ideas for improvements. Alleged irregularities of a general, operational or financial nature can be brought to the attention of the management without jeopardizing one's legal position. Alleged irregularities concerning the functioning of the Management Board can be reported to the chairman of the Supervisory Board directly or through the Works Council. Undesirable interactions between employees can be brought to the attention of the 'vertrouwenspersoon / confidant'. Regulations describing the above are partly vested in procedures and manuals. A 'whistleblower' procedure has been posted on the company's website.

Risk Management and Internal Control

HITT has insurance in place against product and professional claims and liabilities besides insurances against general liability, construction all risks and damages during transport of equipment. Next to insurance of risks some risks are inherent to the business and form the basis of enterprise.

Company risk profile

Over 60% of revenue is generated by new orders from existing customers and/or revolving contracts, such as maintenance on the installed base of systems. Close to 70% of the work is awarded under an open tender process. The growing installed base and growing customer group reduces the business risk. Further reducing our risk, is the indepth knowledge we have of our market.

HITT's activities can be divided into two categories with different risk profiles: projects, products and services.

PROJECTS

HITT's projects are software dominant system integration projects in the fields of Air Traffic Control Systems, Vessel Traffic Management and Information Systems and Coastal Surveillance. HITT is continuously seeking measures and methods to cope with the large dynamic range of revenue and margin inherently related to a project oriented business. To that end more product oriented developments have been taken on in the past years and which we expect will continue in the future.The limitation of standardization of products is the speed with which the market adopt them. In the traffic control markets, customers are used to specifying and tendering their own specific needs and own solutions according to stringent international tendering rules and regulations and are not (yet) ready to accept far stretching standardization of solutions. "Plug-and-play" or "software-as-a-service" are not yet accepted principles in this market. The strategy is aiming at becoming less vulnerable to drastic fluctuations in both revenue and margin of the project-content over the product-content. In 2008 the project-content represented approximately 70% of the total revenue. Typical projects are worth between 5% and 15%, sometimes 30%, of the company's total revenue. Related risks and countermeasures that can be recognized:

- Project risk: project control measures are in place from the point of acquisition trough to project acceptance. HITT works in close harmony with its customers to mitigate any remaining risks trough project completion. The project record of HITT is outstanding.

- Price risk: the market for projects is based on public tenders. As such there is a risk of severe price competition especially in a weak market situation. Since the main competition is also based in Europe, there is no specific market price risk related to the exchange rate of major currencies as long as they stay within a bandwidth of 10%. The volatility of the Euro against the US dollar exchange rate of the past year was again substantially out of this bandwidth and created additional risk.

- Contractual risk: in order to further reduce contractual risks HITT decided to employ an in-house contract lawyer to assist the commercial departments during the preparation of (international) tender bids. He is also available for assistance if active projects need legal advice.

- Under-utilization risks: project-orientated organizations inevitably run the risk of continuity problems if the flow of projects is not in accordance with the available capacity. The size of the projects as stated above indicates the risk factor. To minimize this risk and as a policy, HITT employs 10 to 20% of its staff on a flexible contract basis.

PRODUCTS AND SERVICES

Products and services form approximately 30% of this year's revenue. According to the long term strategy, the company expects this ratio to grow. Related risks that can be recognized are:

- Market stagnation: in view of the utility nature of the market this risk is regarded to be limited, although the present economic crisis might result in a delayed growth of investments by customers. On the other hand products aiming at improving efficiency are even more necessary in these circumstances which offsets this risk.

- Price risk: competing products could cause a price risk, though the high degree of specialization reduces this risk for the short and medium term. There is also a price risk related to currency exchange rates. About 10% of the revenue from this category of activities are in US or Canadian dollars. However, the same ratio of costs is in Canadian dollars thereby reducing the risk.

- Risks of liability of products, services, employees and officers are evaluated annually with the external insurance advisor and are insured via reputable insurance firms for that part of possible damages that can not be born by HITT's financial resources.

Risk mitigating is supported by implementing (international) standards and (external) auditing of adherence to those standards. HITT holds several certificates proving adherence to those standards.

Technical quality and control

HITT works according to strict quality procedures. The major subsidiaries are ISO-9001:2000 certificated with the Tick-IT connotation. Regular internal and external audits by Lloyd's have proved HITT's level of quality control to be in line with its quality manual. HITT cooperates closely with suppliers of dedicated hardware, mostly sensors like radar and multi-

lateration systems. These suppliers are monitored closely by HITT to guarantee that their level of quality matches that of HITT. More common products like computers, networks etc can be purchased from many sources thereby reducing the risk of being dependant on one non-performing supplier. Customers appreciate HITT's consistently high level of standards of all its products, whether made internally or purchased externally.

Business planning and control

Due to its specific project-oriented character HITT Traffic has implemented a vast set of procedures to cater to the management of specific risks, which are implicit in our project related business. All projects follow a 6-week management reporting cycle directly to the management. Project managers are required to report actual and forecast costs and man-hours, and present up-to-date identification and assesment of uncertainties. An action plan per risk item is presented to minimize or circumvent the uncertainty.

Before HITT Traffic decides to tender for a possible project, a bid/no bid meeting is held in which all specific risks associated with the possible proposal and subsequent order are evaluated against a fixed set of subjects plus specific subjects depending on the potential customer and his environment. A decision to bid is documented and signed off by the managing director. All proposals with an estimated value over € 250,000 are discussed in the regular meetings with the Supervisory Board.

Financial planning and control

Since the start of HITT in 1994, strict internal guidelines are followed to organize and control the financial reporting internally and externally. They are refined regularly. The external auditor reviews these procedures and adherence to them semi-annually and issues opinions for further improvement.

HITT's business planning cycle is a strong tool for systematically and regularly reviewing all aspects of the business including risks associated with it. It translates all plans into financial figures. HITT follows an annual planning cycle comprising updated year-end forecasts based on latest quarterly figures, '3-year-business-planning' and 'next-year-budget'. The business plan consists of a high level strategic view on the years to come together with the inclusion of financial targets and in-depths descriptions of how to reach the goals and manage the associated risks. The budget is the fixing of the first business plan year. The plans are communicated and discussed extensively with the Supervisory Board as is the budget and both are approved by the Supervisory Board. They form the basis for the long-term and short-term incentive plan respectively for the Management Board.

The managing directors of the subsidiary companies are responsible for all operational, commercial and financial issues regarding the respective company and they report directly to the Management Board. On a monthly basis all subsidiaries provide the profit and loss statement, the current balance sheet and the cash flow statement to the Management Board. The consolidated figures are reported monthly to the Supervisory Board.

The quarterly reports form the basis for the year-end-forecasts. The reports are communicated and discussed in detail with the Supervisory Board. They also form the basis for the semi-annual and annual press releases. The external auditor reviews the (semi-)annual report.

The financial information streams and the reporting thereon follow a set of written procedures to which all subsidiaries must comply.

Foreign currency risks on translation differences are not hedged. Significant currency differences on transactions are hedged without exception. The currency risk that exists during the validity period of proposals are either hedged by currency options with banks or limited by contractual or bid bond conditions. Due to the widening acceptance of the Euro throughout the world the transaction currency risk might decrease in the future.

HITT has been listed on Euronext Amsterdam as of June 4, 1998. At first on the NMAX market and as of November 12, 2001 HITT shares are traded on the Official Market. Herewith HITT proves to adhere to very stringent financial reporting standards.

Social quality and control

Employees of HITT act according to a comprehensive code of conduct, thus minimizing the risk of reputation damage due to misbehavior of its employees and officers. The code of conduct is an explicit internal guideline to be adhered to. In essence, the code of conduct defines the freedom of acting of HITT employees within the local national and international legal and regulatory framework, but in addition strives to act within generally accepted values in the Netherlands. Fairness and respect of each and every cultural environment are cornerstones of the code of conduct. Compliance is monitored in the regular management structure of the company. The code is made available on HITT's web-site.

Rules and regulations

Worldwide every incident seems to culminate in more and complex rules and procedures and subsequent (governmental) supervision. Although HITT is of the opinion that doing business decently and respectfully can not be guaranteed by rules or regulations, HITT has to follow this worldwide tendency. Another phenomenon of this ever increasing complex of rules and regulations is the growing claim industry. HITT makes use of local partners and agents to insure adherence to local legislation and if necessary further expertise is sought on the subject concerned (taxes, local laws and regulations, Business Acts, employee benefits and insurances, etc). Besides the abovementioned in-house contract lawyer, HITT also makes use of reputable world-wide operating law firms.

Conclusion

With due observance of the previous, we believe that the internal risk management and control systems provide reasonable assurance that the financial statements are free of material misstatement and that these systems have performed satisfactorily in the year under review. Neither are there any indications that the respective internal risk management and control systems will not perform satisfactorily in the current financial year. Steps that were advised to take for further improvement of these systems, amongst others by the external auditor in his management letter, will be followed up and completed during the current financial year.

We confirm that, to the best of our knowledge, the financial statements give a true and fair view of the assets, liabilities, result for the year and the financial position of HITT N.V. and its consolidated subsidiaries for the year ended December 31, 2008. We confirm that our management report gives a fair view of the status at the end of the year and developments during the year of HITT N.V. and its consolidated subsidiaries, and that the material financial risks that HITT N.V. and its consolidated subsidiaries are exposed to, are adequately described.

Apeldoorn, February 2, 2009

Sjoerd Jansen (CEO)

John H.M. van Asperen (CFO)

Comply or explain

The Dutch Corporate Governance code is vested in Dutch law and regulations. During 2004 all relevant Articles of Association, Regulations and Rules of Procedure were examined in great detail and refined where necessary. The Articles of Association were approved during the Annual General Meeting. On the company's website the original code is published with the compliance per article clearly indicated. Internally all articles of The Code have been linked to articles in either the Articles of Association, Rules of Procedure for the Supervisory Board, Management Board, Audit Committee, Remuneration Committee, Selection and Appointment Committee, Code of Conduct or the Rules of Procedure as meant in article 24 of the Market Abuse Decree under the Act on the Financial Supervision.

The structure of this Annual Report clearly follows the headlines of The Code: compliance, responsibility and accountability of the Management Board, responsibility and accountability of the Supervisory Board, the shareholders and the general meeting of shareholders and financial reporting and auditing. Although they feel that the practical implementation and proof of adherence to The Code is cumbersome for a company of HITT's size, the Boards underwrite the basic thoughts behind the code. Some articles of the code are not applicable to HITT. Both Boards state that HITT complies with all articles of the Dutch corporate governance code except for the following articles:

- II.2.6 & III.7.3 Due to the size of the company and with reference to the Act on Protection of Privacy the Supervisory Board has not drawn up regulations concerning ownership of and transactions by the Management Board and the Supervisory Board of securities other than those issued by HITT.

- III.4.3 Considering the size of the company there is no formally appointed Secretary of the company. The Chief Financial Officer performs the duties under this article qualitate qua, which is considered adequate and prudent.

- IV.3.1 Considering the size of the company, it is not possible to follow online broadcasted meetings with analysts and (institutional) investors. Presentations held are posted on the company's website afterwards.

Both Boards state that if important changes in the governance structure or in the compliancy to the Code occur, they will be put onto the agenda of the Annual General Meeting of Shareholders. In 2008 no important changes in the governance structure or in the compliancy to the Code occurred.

The role of the Management Board is to manage the company, which means amongst other things, that it is responsible for achieving the company's goals, strategy, policy and results. The Board is responsible for the consolidated results, financing of the company, financial risk assessment and coverage, and communications with the Supervisory Board, shareholders, analysts and press. The Management Board is accountable for this to the Supervisory Board and to the General Meeting of Shareholders. In discharging its role, the Management Board is guided by the interests of the company's stakeholders. The Management Board provides the Supervisory Board, in a timely manner, with all information necessary for the exercise of its duties.
The Management Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The Management Board reports and discusses related developments of the internal risk management and control systems with the Supervisory Board.

Regulations are posted on the company's website. The regulations contain amongst others specific rules of procedure for the handling of (potential) conflicting interests. During 2008 no such (potential) conflicting interests occurred.

Information for shareholders

Investor relations

The Management Board appreciates the need to provide up to date, accurate and actual information to investors concerning the present and future business of HITT, the strategy and considerations of the management and the financial health of the company. The Board communicates with investors via several channels. Relevant best practices of The Code are followed, with the exception of the real time attendance of meetings via telecommunication means.

The financial figures are made public by means of a press release and presentation by both the Chief Executive Officer and the Chief Financial Officer in a press conference and a meeting for analysts. Due to the size of the company and the associated costs HITT does not provide on-line attendance of these meetings. Between these events, HITT publishes press releases concerning important business events. Requests for interviews, publications and presentations for groups of investors are usually accepted. Analysts meetings, presentation to institutional or other investors and direct discussions with the investors never take place shortly before the publication of the regular financial information (semi-annual or annual reports).

Analysts' reports and valuations are not assessed, commented upon or corrected, other than factual, by the Company in advance.

The Company has not paid any fee(s) to parties for the carrying out of research for analysts' reports of for the production or publication of analysts' reports, nor to credit agencies.

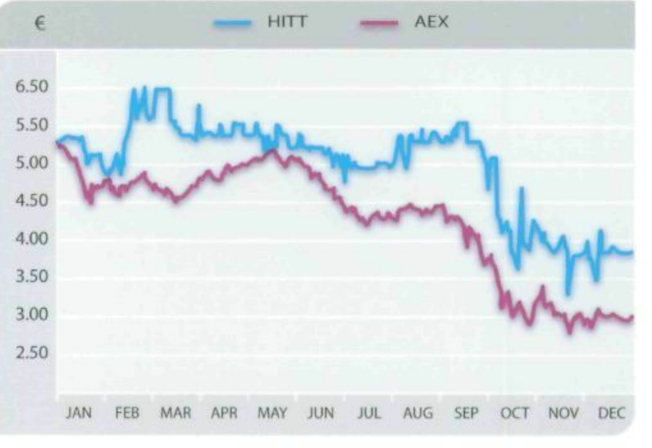
Shareholders wanting to be present in the general meetings are invited to deposit their shares 4 bank days before the meeting. The Management Board and the Supervisory Board will provide the meeting with all requested information, unless this would be contrary to an overriding interest of the Company, in which case reasons will be given. One attending shareholder will be asked to review and approve the minutes of the meeting together with the Chairman. The minutes of the meeting are available within two months and can be applied for via HITT's web-site.

All information regarding Investor relations may be obtained by e-mail: investor.relations@hitt.nl or by telephone +31 (55) 5432524. Information on HITT can be obtained via HITT's web site www.hitt.nl.

Shares

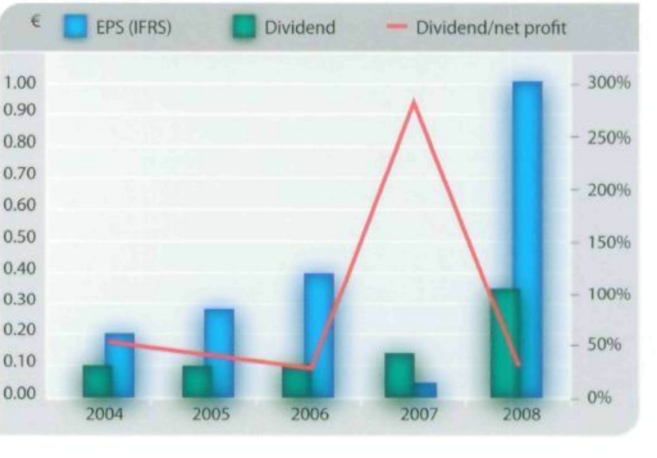
Trading

According to information provided by Euronext 346 thousand (or 7% of all) HITT shares were traded (2007: 841 thousand; 18%) thus generating turnover of € 1.7 million (2007: € 5.6 million).



Yield

Related to the closing stock price at the end of 2007 the yield was a loss of 33%. If the dividend proposal of € 0.35 is adopted (including the interim dividend of € 0.21), a dividend yield related to the stock price at the end of 2008 of 7% is realized.



Total yield, being stock price appreciation/depreciation plus dividend, related to the closing price of ultimo 2008 was 26% negative (2007: 13.3% negative).

Share Option Plan

The option plan ceased to exist in 2007.

Major Holdings

Based on the notices received pursuant to the Act on Financial Supervision, the following shareholders with an interest in excess of 5% are known to HITT:

	Initial disclosure	December 31, 2008	Interest
		Number of shares	%
Janivo Beleggingen B.V.	February 15, 2006	263,465	5.61
Holding Aarts Heerkens B.V.	November 11, 2004	237,000	5.05
Todlin N.V.	October 10, 2002	249,558	5.32
HITT Holding B.V.	June 4, 1998	2,400,000	51.13
Free float		1,544,135	32.89
Total outstanding		4,694,158	100.00

Preference shares

The objective of the Stichting Preferente Aandelen HITT (Foundation Preference Shares HITT; in short SPA) is to assure the continuity of the management and the identity of HITT, its subsidiaries as well as other related companies. The Board of Stichting Preferente Aandelen HITT is composed of five directors. Four of these directors are independent according to the meaning of the former Annex X to the Listing and Issuing Rules of NYSE Euronext Amsterdam and one director is a member of the Supervisory Board. The independent directors are Mr. P.P. Kohnstamm (chairman), Mr. J.W.L. Kruyt, Mr. J.P. Aalders and Mr. J.W. Termijtelen. The fifth director is Mr. J.A. Stroink, in his capacity as a member of the Supervisory Board.

Although after implementation of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, (Stb. 202) the "Act on Takeover Bids" came into force and Annex X ceased to exist, all directors are of the opinion that the Foundation acts independently.

The purpose of the preference shares is to protect HITT against hostile take-overs. SPA has concluded an option agreement with HITT according to which it has the right to require HITT to issue preference shares (call-option) to a maximum of one hundred percent of the total nominal value of the ordinary shares outstanding at that time. Issuance of preference shares under the option agreement may only take place to serve the aforementioned objective of Stichting Preferente Aandelen HITT. Management has reviewed the existence and composition of protective measures in the light of the implementation of the above mentioned Directive and the changing public opinion on protective measures in general. Following that review management has decided that protective measures are still accepted and useful.

HITT has not issued depository receipts for shares HITT.

Authorization to acquire and issue shares

In the Annual General Meeting of shareholders on March 5, 2008 shareholders authorized the Management Board, for a period of 18 months, to enable HITT to repurchase its own shares and to issue shares up to a maximum of 10% of the total issued and outstanding shares under the conditions laid down in the Articles of Association and under approval of the Supervisory Board.

Financial calendar

2009	
February 3	Publication of annual figures 2008
March 3	Annual General Meeting of shareholders
March 5	Ex-dividend listing
March 12	Dividend payable
September 1	Publication of semi-annual figures
2010	
February 2	Publication of annual figures 2009

Consolidated income statement

For the year ended December 31

x € 1,000; except per share data		2008	2007
Continuing operations			
Revenue	9	30,847	31,824
Other operating income		70	79
Product development		3,124	2,277
		34,041	34,180
Raw materials and consumables used		(11,498)	(14,783)
Employee benefit expenses	10	(13,535)	(12,027)
Depreciation and amortization expenses	11	(2,922)	(2,582)
Other operating expenses	12	(4,698)	(4,402)
		(32,653)	(33,794)
Operating result		1,388	386
Financial income and expenses	13	(1)	(155)
Result before income tax		1,387	231
Income tax (expense) benefit	14	(337)	(17)
Result from continuing operations		1,050	214
Discontinued operations			
Result from discontinued operations	8	3,732	58
Net result		**4,782**	**272**
Attributable to:			
Equity holders of the parent		4,741	252
Non-controlling interest		41	20
		4,782	**272**
Earnings per share	15		
From continuing operations:			
Basic		0.21	0.04
Diluted		0.21	0.04
From discontinued operations:			
Basic		0.80	0.01
Diluted		0.80	0.01

Consolidated balance sheet

At December 31

	x € 1,000	2008	2007
ASSETS			
Non-current assets			
Goodwill	16	992	2,045
Development costs	17	5,103	6,989
Tangible non-current assets	18	709	763
Deferred tax assets	19	210	240
		7,014	10,037
Current assets			
Inventories		181	107
Trade and other receivables	20	11,788	12,273
Current tax assets		5	119
Derivative financial instruments	22	158	633
Cash		8,502	4,852
		20,634	17,984
		27,648	**28,021**
EQUITY AND LIABILITIES			
Group equity	23		
Attributable to equity holders of the parent		16,415	13,503
Non-controlling interest		137	129
		16,552	13,632
Non-current liabilities			
Retirement benefit obligation	24	1,512	1,528
Deferred tax liabilities	25	824	1,468
Other non-current liabilities	26	-	1,393
		2,336	4,389
Current liabilities			
Trade and other payables	27	7,463	7,872
Current tax liabilities	28	826	1,075
Provisions	29	471	1,053
		8,760	10,000
Total liabilities		11,096	14,389
		27,648	**28,021**

Consolidated statement of changes in equity

For the year ended December 31

x € 1,000	Share capital	Share premium reserve	Legal reserves: Development costs	Legal reserves: Hedging	Legal reserves: Translation	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
Balance at January 1, 2007	1,173	4,848	6,513	197	(867)	1,581	13,445	105	13,550
Exchange differences arising on translation of foreign operations	-	-	-	228	235	-	463	4	467
Net income recognized directly in equity	-	-	-	228	235	-	463	4	467
Net result	-	-	-	-	-	252	252	20	272
Total recognized income and expense for the year	-	-	-	228	235	252	715	24	739
Dividend paid	-	-	-	-	-	(657)	(657)	-	(657)
Movement of the legal reserve for capitalized developments	-	-	476	-	-	(476)	-	-	-
Balance at December 31, 2007	**1,173**	**4,848**	**6,989**	**425**	**(632)**	**700**	**13,503**	**129**	**13,632**
Exchange differences arising on translation of foreign operations	-	-	-	-	(420)	-	(420)	(33)	(453)
Hedging results	-	-	-	(410)	-	16	(394)	-	(394)
Net income recognized directly in equity	-	-	-	(410)	(420)	16	(814)	(33)	(847)
Net result	-	-	-		-	4,741	4,741	41	4,782
Total recognized income and expense for the year	-	-	-	(410)	(420)	4,757	3,927	8	3,935
Dividend paid	-	-	-	-	-	(1,643)	(1,643)	-	(1,643)
Movement of the legal reserve for capitalized developments	-	-	(2,268)	-	-	2,268	-	-	-
Disposal of subsidiaries	-	-	-	-	628	-	628	-	628
Balance at December 31, 2008	**1,173**	**4,848**	**4,721**	**15**	**(424)**	**6,082**	**16,415**	**137**	**16,552**

Consolidated cash flow statement

For the year ended December 31

x € 1,000	2008	2007
Operating activities		
Result before income tax	1,387	480
Adjustments for:		
Depreciation of tangible non-current assets	356	439
Amortization of development costs	2,504	2,710
Share-based payment expense	-	(47)
Movement of working capital	(59)	3,071
Movement of retirement benefit obligation	(16)	(26)
Movement of provisions	(583)	462
Impairment of development costs	163	-
Interest results	(93)	127
Foreign exchange results	63	-
Cash generated from operations	3,722	7,216
Income tax paid	(124)	-
Interest paid	(34)	(136)
Net cash from operating activities	3,564	7,080
Investing activities		
Investments in tangible non-current assets	(483)	(362)
Disposals of tangible non-current assets	17	4
Investments in product development	(3,356)	(3,002)
Disposal of companies	6,266	-
Net cash (used in) from investing activities	2,444	(3,360)
Financing activities		
Dividend paid	(1,643)	(657)
Borrowings from banks	(19)	(290)
Obligation under finance leases	-	(212)
Other loans	(625)	-
Interest received	128	9
Net cash (used in) from financing activities	(2,159)	(1,150)
Net in(de)crease in cash	3,849	2,570
Cash at start of period	4,852	2,719
Effect of FX-rate changes	(199)	(437)
Cash at end of period	**8,502**	**4,852**

Notes to the consolidated financial statements

For the year ended December 31, 2008.

1. General information

HITT N.V. (the Company) is a listed company incorporated in the Netherlands. The address of its registered office, the principal place of business, the principal activities of the Company and its subsidiaries (the Group) are disclosed on the back of this annual report.

The consolidated financial statements and notes thereto are presented in € 1,000 unless mentioned otherwise.

2. Significant accounting policies

BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on December 31, 2008. They are prepared on the 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 accounting policies set out below have been applied consistently to all periods presented in the consolidated statements.

In accordance with article 402, Part 9, Book 2, the Company only presents Result on participating interests after tax as a separate line item in its income statement.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and of the entities controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in net assets of consolidated subsidiaries are identified separately from the equity attributable to equity holders of the parent. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Operating subsidiaries	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 the profit and loss account and the equity.

Discontinued operations	Place of establishment	Percentage of ownership
AISLive Ltd.	Redhill, United Kingdom	50.0
Ican Ltd.	St. John's, Newfoundland, Canada	100.0
Ican Inc.	Dallas, Texas, U.S.A.	100.0

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

INTERESTS IN JOINT VENTURES

Where a group entity undertakes its activities under joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

FOREIGN CURRENCIES

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are nominated in foreign currencies other than the functional currency, are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency other than the functional currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period. Exchange differences arising on the retranslations of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Euro using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are credited or charged to the translation reserve (equity). Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and related sales taxes. Sales of goods are recognized when goods are delivered and title has passed.

Where the outcome of a project contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a project contract cannot be estimated reliably, contract revenue is recognized to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Nearly all long-term construction contracts are accounted for by the percentage of completion method.

GOVERNMENT GRANTS

Government grants relating to internally generated intangible assets are included in non-current liabilities at fair value, where there is a reasonable assurance that the grant will be repayable as a royalty payment on revenue generated from this internally generated intangible asset.

Government grants relating to costs are recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Financial income and expense

Net financial income comprises interest calculated using the effective interest rate method, foreign exchange gains and losses and gains and losses on hedging instruments that are recognized in the income statement. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through expected life of the financial asset to that asset's net carrying amount.

Taxation

Tax is calculated on the result before income tax, taking into account the prevailing rates and tax legislation in the different countries. Tax is accounted for in the profit and loss account, unless it relates to items directly recognized in equity, in which taxes are also accounted for in equity. Tax assets represent tax losses carried forward in certain jurisdictions in which the Company operates.

Deferred tax assets and liabilities reflect net effects of tax losses carried forward and temporary timing differences between the carrying value of assets and liabilities for financial purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are only recorded if they are considered to be realizable in the future, which is reassessed at each balance sheet date.

Intangible non-current assets

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead it is tested for impairment at least annually. Any impairment loss is recognized in the income statement as soon as it occurs and it is not reversed in subsequent periods.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Product development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from the Group's development activities is capitalized only if all of the following conditions are met:
- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits by its technical and commercial feasibility;
- the development cost of the asset can be measured reliably.

The addition to the capitalized development costs (including foreign currency exchange effects) is included as a separate income category in the income statement. Where these criteria are not met, development expenditure is charged to profit or loss in the period in which it is incurred.

Amounts recognized as development costs are capitalized and amortized over the estimated useful economic life. These development costs are divided into software technology related costs and product related costs. The amortization of the technology is based on the actual sale of the technology via projects. Generally the amortization term does not exceed 3 to 4 years. Product related costs are expensed as incurred based upon an estimated useful life of less than one year. The amortization charge of these intangibles is included under depreciation and amortization expense.

Tangible non-current assets

Fixtures, furniture and computers are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives and calculated using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of assets

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount will be estimated in order to determine the extent of the impairment loss. The recoverable amount is the greater of the net selling price and the value in use. The value in use reflects the net present value of the future cash flow generated by the asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is lower than the carrying amount, a reduction to the carrying amount is made. Such an impairment loss is recognized as an expense immediately.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The system and calculation method applied is the discounted cash flow method. In principle the period for the discounted cash flow calculations is indefinite. The calculations of the value in use, use cash flow projections based on actual operating results and actual three year forecasts and limiting further growth to nil.

INVENTORIES

Inventories consist of finished goods for resale and service.

Inventories of finished goods are valued at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

CONSTRUCTION CONTRACTS

Construction contracts, consisting of the balance of costs incurred, profits and losses recognized less amounts invoiced, are stated as a receivable (amounts due from customers for contract work) when the balance is positive. If the balance is negative, it is stated as a liability (amounts due to customers for contract work). Reference is made to the accounting principles under 'Revenue'.

TRADE RECEIVABLES

Trade receivables are recognized at face value less provisions for bad debts. The provision for bad debts is determined on individual receivables.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses financial instruments to hedge risks associated with foreign currency fluctuations. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged and according to application of hedge accounting.

Hedge accounting is applied for instruments used for hedging firm commitments and forecasted trade transactions of the Group. Accordingly changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity, and the ineffective portion is recognized immediately in the income statement. Amounts deferred in equity are recognized in profit or loss in the period in which the hedged item affects the income statement.

Changes in the fair value of other derivative financial instruments (for instance those used for hedging of intercompany loans and receivables) are recognized in profit or loss as they arise, similar to the foreign exchange results of these hedged positions.

RETIREMENT BENEFIT OBLIGATIONS

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies determined by actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no constructive or legal obligation to pay further contributions to this entity.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. See also the note on Retirement benefit obligation.

The retirement benefit obligation represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Amortization of Unrecognized Gains or Losses has been included as a component of the annual expense for a year if, as of the beginning of the year, that cumulative net Unrecognized Gain or Loss exceeds 10% of the greater of the Plan Liability or value of Plan Assets. If amortization is required, the amortization is that excess divided by the expected average remaining working lives of the employees participating in the plan.

3. Cash flow statement

The cash flow statement has been prepared using the indirect method. With this method, the result is adjusted for items in the income statement that have no impact on income and expenses in the year under review, and changes in items in the balance sheet and income statement whose income and expenses are not considered to belong to the operational activities.

The cash position in the cash flow statement comprises cash and cash equivalents. The purchase price of acquisitions and disposal of sold participations is included under the cash flow from investing activities. Dividends are included in the cash flow from financing activities. Wherever possible, transactions which do not involve a cash exchange are not included in the cash flow statement.

4. Adoption of new and revised International Financial Reporting Standards

The following interpretations are new and effective for the year ending on December 31, 2008:

- IFRIC 11: IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- FRIC 14: IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The new interpretations did not have impact on HITT's financial reporting in 2007 or 2008. HITT is in the process of evaluating the impact of implementation of IFRS 8 on current segment reporting in 2009. HITT expects that the adaption of other new standards, amendments to standards and new IFRIC interpretations in future periods will have no material impact on HITT's financial statements 2009. HITT did not opt for early adoption of new standards, amendments to standards and new IFRIC interpretations, which are mandatory for annual periods beginning on or after January 1, 2009 or later.

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial derivatives to hedge certain currency risk exposure.

Market risks

Currency risk

The Group operates internationally and is exposed to foreign currency exchange risks arising from various currency exposures, primarily with respect to the American dollar, Australian dollar, Canadian dollar and the Hong Kong dollar. Management has set up a policy to require Group companies to manage their foreign currency risks relating to firm commitments and forecasted transactions. The Group treasury risk management policy is to hedge all foreign currency exchange risks in excess of € 50 in all non functional currencies for all fully controlled entities over the full project period. The Group treasury uses foreign currency forward contracts and currency swap contracts to manage the foreign currency exposure.

The Company also hedges the foreign currency risk of loans provided to group companies (participations) which are in the participation's functional currency. Foreign currency exchange risk arising from the remaining net assets value of the Group's foreign currency operations is not hedged.

The Group does not use derivative financial instruments for speculative purposes.

The sensitivity towards a 10% increase of key currencies during 2008, with all other variables held constant and taken into account effects at financial instruments, is shown in the following table:

x € 1,000	Net result 2008	Equity at December 31, 2008
CAD	(33)	(2)
HKD	(7)	(13)
USD	18	19
NOK	(57)	(28)
AUD	16	16
	(63)	**(8)**

Interest rate risk

As the Group has no significant interest bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate. An exception is the free available cash within the Group which is deposited at the bank for a relatively short term in so far as not needed as working capital. If the interest rate had been 1% higher during the year, the interest income would have been approximately € 25 higher.

Price risk

Price risk can partly be mitigated by negotiating lower prices with suppliers. The pricing in long-term maintenance contracts is often subject to an annual indexation.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure to contract customers during the execution of the project and from outstanding receivables. Banks and financial institutions are only accepted if they are ranked class A or better. If payment risks with a contract customer are expected, contract customers are evaluated via a credit rating agency and/or the payment is settled by a letter of credit or advance payments. Contract customers in general comprise of local public authorities or larger private conglomerates, but can also comprise partners in a project or resellers of software products.

Liquidity risk

Liquidity risk is managed by maintaining strict procedures on the reduction of working capital and by maintaining sufficient cash and/or the availability of cash by an adequate amount of committed credit lines. This is incorporated in the monthly reporting process. Reference is made to the contingent liabilities for more information about the credit facilities.

Management monitors the development of the working capital and usage of the credit facilities per company on a monthly basis. Moreover management monitors annual forecasts of the Group's cash flow position on a quarterly basis.

6. Reclassifications

Invoiced amounts on construction contracts have been reclassified in the balance sheet per December 31, 2007. It concerns a prior period error where the split between construction contracts with a debit balance and those with a credit balance was not made correctly. The comparative figures have been changed accordingly. The reclassification has no impact on the income statement or equity in December 31, 2007. The effect is as follows:

x € 1,000	December 31, 2007		December 31, 2007
	Reported	Reclassification	Restated
Trade and other receivables	16,338	(4,065)	12,273
Trade and other payables	11,876	(4,065)	7,811*

• The other liabilities amounting to € 61 as at December 31, 2007 have been added to the Trade and other payables, which gives a total amount of € 7,872 in the comparative figures.

7. Critical estimates and judgments

In preparing the consolidated financial statements management has made estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the financial statements.

Critical estimates and judgment:
- Goodwill: reference is made to note 16 about the valuation of goodwill and impairment test thereof.
- Development costs: reference is made to note 17.
- Provisions on construction contracts: reference is made to notes 21.
- Retirement benefit obligations: reference is made to note 24.

8. Discontinued operations

On February 11, 2008 the 50% participating share in AISLive of Redhill, UK and on June 6, 2008 the 100% participating share in Ican Ltd of St. John's, Canada together with its 100% subsidiary Ican Inc of Dallas, USA have been sold and are not included in the operational result for the period. The agreed additional earn-out consideration on both disposals (maximum combined € 1.5 million) has not been accounted for due to the uncertainty in the fulfillment of the profitability requirements, with exception of a consideration of € 100 relating to AIS Live performance over 2008 which was received in January 2009.

Discontinued operations are presented in accordance with IFRS 5. Results of these discontinued operations in the comparative figures have been restated accordingly.

Result from discontinued operations

x € 1,000	2008	2007
Income	1,440	3,708
Expenses	(1,373)	(3,459)
Result before income tax	67	249
Income tax (expense) benefit	(33)	(191)
Profit for the period	34	58
Gain (loss) on disposal of subsidiary	3,583	-
Income tax on disposal gain or loss	115	-
Net result from discontinued operations	**3,732**	**58**

The cash flows from discontinued operations were as follows:

Cash flows from discontinued operations

x € 1,000	2008	2007
Net cash flows from operating activities	(261)	485
Net cash flows from investment activities	(251)	28
Net cash flows from finance activities	(7)	(154)
	(519)	**359**

The total consideration received in cash for the sold participations in 2008 amounted to € 7.0 million.

The amount of the assets and liabilities of the sold participations, including goodwill and earn-out recognized on the parent's company balance sheet, were as follows:

x € 1,000	at disposal date
Non current assets	3,431
Current assets excluding cash	630
Cash	723
Non-current liabilities	1,895
Current liabilities	1,093

9. Segment information

The Group delivers to public corporations a group of related products and services mostly on a project basis. Based on the nature of the projects, the Group distinguished revenue segmentation on a manual basis. The Group reports financial information on a one-segment basis due to the limited number of projects compared to total revenue and the nature of the market in which it operates.

x € 1,000		2008		2007
	%		%	
Aviation traffic	36	11,163	30	9,439
Marine ashore	29	8,982	38	12,313
Marine onboard	17	5,184	14	4,318
Technical services	18	5,518	18	5,754
	100	**30,847**	**100**	**31,824**

Revenue was generated in the following regions:

x € 1,000		2008		2007
	%		%	
The Netherlands	40	12,420	39	12,535
Europe	26	8,066	27	8,663
Rest of the world	34	10,361	33	10,626
	100	**30,847**	**100**	**31,824**

10. Employee benefits expenses

x € 1,000	2008	2007
Wages and salaries	9,425	9,492
Social security charges	965	655
Retirement benefit expenses	575	683
Other staff expenses	799	578
Hired staff expenses	1,771	619
	13,535	**12,027**
Per employee (excluding hired staff)	75	82

The average number of employees during the financial year was 156 (2007: 140).

The change in wages and salaries is flattered by the net release of part of the severance provision in 2008 of € 489.

11. Depreciation and amortization expenses

x € 1,000	2008	2007
Depreciation	346	375
Amortization	2,413	2,207
Impairment of development costs	163	-
	2,922	**2,582**

Differences with the depreciation and amortization expenses shown in the cash-flow statement and the movement schedules of fixed assets relate to discontinued operations.

12. Other operating expenses

x € 1,000	2008	2007
Housing expenses	889	808
Research and development	137	147
Repair and maintenance	302	279
Selling expenses	1,133	1,243
Business travel expenses	323	262
Office expenses	398	344
Guarantee expenses	246	316
General expenses	1,269	1,003
	4,698	**4,402**

Research and development expenses comprise out-of-pocket cost. See also note 17 on Development Costs.

13. Financial income and expenses

x € 1,000	2008	2007
Interest income	128	9
Interest expenses	(34)	(101)
Foreign exchange results	(63)	(30)
Banking expenses	(32)	(33)
	(1)	**(155)**

14. Income tax (expense) benefit

x € 1,000	2008	2007
Current tax expense	(421)	(111)
Deferred tax expenses	84	94
	(337)	**(17)**

Reconciliation of effective tax rate:

x € 1,000		2008		2007
	%		%	
Result before income tax		1,387		231
Income tax applying nominal rate	25.5	(354)	25.5	(59)
Effect of foreign tax rates	(0.2)	3	(9.4)	22
Effect of adjustments of prior years	(0.3)	4	(8.7)	20
Effect of changes of tax rate	0.4	(5)	-	-
Other effects	(1.1)	15	-	-
	24.3	**(337)**	**7.4**	**(17)**

The income tax relating to discontinued operations is excluded from the above calculation. Reference is made to the disclosure on discontinued operations for the amounts involved.

15. Earnings per share

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

Number of shares x € 1,000	2008	2007
Number of ordinary shares for the purpose of basic earnings per share	4,694	4,694
Effect of dilutive potential ordinary shares: Earn-out consideration (90 days average HITT share price)	-	94
	4,694	**4,788**

16. Goodwill

x € 1,000	2008	2007
Balance at January 1	2,045	2,281
Addition due to new business combinations	-	49
Derecognition on disposal of subsidairies	(785)	-
Effects of foreign currency translation differences	(268)	188
Revision	-	(473)
Balance at December 31	**992**	**2,045**

Goodwill relates to the following entities:

x € 1,000	2008	2007
Klein Systems Group Ltd	896	1,074
Ad Navigation AS	96	122
Ican Ltd	-	849
Balance at December 31	**992**	**2,045**

The carrying amounts of the units remain below the recoverable amounts and as such no impairment losses are accounted for. However, future adverse changes in the assumptions could reduce the recoverable amounts below the carrying amount. The discount rates before taxes used in the impairment tests vary from 8 to 10%.

17. Development costs

x € 1,000	2008	2007
Balance at January 1	6,989	6,513
Additional investments	3,356	3,002
Derecognition on disposal of subsidairies	(2,339)	-
Amortization	(2,504)	(2,710)
Impairment	(163)	-
Foreign exchange	(236)	184
Balance at December 31	**5,103**	**6,989**
Accumulated cost per December 31	9,985	14,782
Accumulated amortization per December 31	(4,882)	(7,793)
Balance at December 31	**5,103**	**6,989**
Average amortization percentage	33.3	33.3

The capitalized costs mainly consist of own spent hours.

Impairment tests carried out regularly showed some developments with a shorter useful life and they were impaired accordingly in 2008.

Besides developments that qualify for capitalization, the Group also develops products and tools for one-time application. These costs amount to € 1,768 (2007: € 4,201) and are included in employee benefit expenses and other operating expenses.

18. Tangible non-current assets

x € 1,000	2008	2007
Balance at January 1	763	844
Purchases	483	362
Book value of disposals	(17)	(4)
Derecognition on disposal of subsidairies	(116)	-
Depreciation	(356)	(439)
Foreign exchange	(48)	-
Balance at December 31	**709**	**763**
Cost December 31	2,687	3,146
Accumulated depreciation	(1,978)	(2,383)
Bookvalue at December 31	**709**	**763**
Depreciation percentages	20 -50	20 -50

Tangible non-current assets mainly consist of fixtures, furniture and computers. The fair value does not deviate significantly from the carrying value.

19. Deferred tax assets

x € 1,000		2008		2007
Balance at January 1		240		298
Addition (release) to income statement	171		(9)	
Derecognition on disposal of subsidairies	(160)		-	
Effect of changes of tax rate	(6)		-	
Foreign exchange	(35)		(49)	
Movements		(30)		(58)
Balance at December 31		**210**		**240**

The deferred tax assets mainly relate to the tax value of losses incurred that can be compensated in future yearsand are expected within one and five years (based on actual 3-years forecasts). The tax assets are stated at nominal value.

20. Trade and other receivables

x € 1,000	2008	2007
Trade receivables	4,837	4,664
Due from customers for contract work	6,305	6,687
Other receivables and prepayments	646	922
Balance at December 31	**11,788**	**12,273**

Receivables and amounts due are expected to be collected between 1 month and 3 months after year-end.

The following table provides insight in the ageing of trade receivables and the extent to which receivables are past due but not impaired.

x € 1,000	2008	2007
Within credit terms	3,018	3,595
Past due up to 90 days	1,496	760
Past due over 90 days	389	320
Provision for impairment	(66)	(11)
Balance at December 31	**4,837**	**4,664**

The provision for impairment mainly relates to receivables older than 90 days.

x € 1,000	2008	2007
As at January 1	(11)	(9)
Impairment losses recognized on receivables	(66)	(63)
Receivables written-off as uncollectible	11	61
As at december 31	**(66)**	**(11)**

21. Construction contracts

x € 1,000	2008	2007
Cost incurred plus recognized profits (losses)	34,126	30,892
Invoiced amounts	(30,750)	(27,343)
Balance at December 31	**3,376**	**3,549**

x € 1,000	2008	2007
Amounts due from constumers (stated under receivables)	6,305	6,687
Amounts due to constumers (stated under payables)	(2,929)	(3,138)
Balance at December 31	**3,376**	**3,549**

22. Financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions and to hedge foreign exchange exposure of loans provided to participations.

The financial instruments are valued at the Mark-To-Market value per balance sheet date as confirmed by our bank. Only plain vanilla instruments are used (forward contracts).

x € 1,000	2008
MTM-value Cash flow hedges of future transactions	141
MTM-value Fair value hedges of receivables and payables	17
Balance at December 31	**158**

All financial instruments have an expiration date in 2009. At the expiration dates these contracts are rolled forward in case the hedged item (being a cash receipt) has not yet occurred. The exchange gain/loss resulting from the roll forward is added to the hedging reserve in case of cash flow hedging, and will be recycled to the income statement when the hedged item is settled, together with the added results from prior roll forward transactions.

23. Group equity

Reference is made to the Company balance sheet and disclosure for comments on the statutory components with equity.

The non-controlling interest in the Group's equity relates to the 49% interest of the non-controlling shareholders of Ad Navigation AS.

24. Retirement benefit obligation

Plan assets

The assets of the Plan are managed by an insurance company. The benefit payments are guaranteed by the insurance company. The plan assets are equal to the discounted cash flows (benefit payments). The profit sharing on investment is not taken into account as it is assumed to be zero.

The investment returns are based on the so-called u-yield (government bonds with duration of 7-8 years). As this return less the investment fee is expected to be less than the contractual discount rate (on average 3.8%), profit sharing is expected to be low.

Methodology

IAS19 does not specify how benefits that do not depend on service should be attributed between past and future service. The approach that we have adopted for the Scheme is to identify the "past service" element of the liability for death in service and incapacity benefits by reference to a member's completed service at the measurement date to their total projected service (i.e. in line with the provisions of the US Financial Accounting Standards Boards guidance in FAS87).

The movements in the retirement benefit obligation can be summarized as follows:

x € 1,000	Defined Benefit Obligation	Plan Assets	Funded status	Unrecognised gains (losses)	Net liability
Balance at January 1, 2007	8,797	(8,386)	411	1,143	1,554
Company Service Cost	157	-	157	(27)	130
Interest cost	418	-	418	-	418
Expected return on plan assets	-	*(259)*	*(259)*	-	*(259)*
Administration cost	-	72	72	-	72
Benefits paid	(32)	32	-	-	-
Expense recognized in the income statement	543	(155)	388	(27)	361
Plan participants contribution	146	-	146	-	146
Contribution	-	(533)	(533)	-	(533)
Contribution net of participants contribution	146	(533)	(387)	-	(387)
Balance at December 31, 2007 (est.)	9,486	(9,074)	412	1,116	1,528
Loss (gain)	(885)	836	(49)	49	-
Balance at December 31, 2007	**8,601**	**(8,238)**	**363**	**1,165**	**1,528**
Company Service Cost	115	-	115	(35)	80
Interest cost	463	-	463	-	463
Expected return on plan assets	-	(282)	(282)	-	(282)
Administration cost	-	73	73	-	73
Benefits paid	(66)	66	-	-	-
Expense recognized in the income statement	512	(143)	369	(35)	334
Plan participants contribution	*158*	-	*158*	-	*158*
Contribution		(508)	(508)	-	(508)
Contribution net of participants contribution	158	(508)	(350)	-	(350)
Balance at December 31, 2008 (est.)	9,271	(8,889)	382	1,130	1,512
Loss (gain)	(1,442)	1,175	(267)	267	-
Balance at December 31, 2008	**7,829**	**(7,714)**	**115**	**1,397**	**1,512**

A summary of the assumptions used is detailed below:

1. Financial assumptions

Weighted average	2008	2007
	%	%
Discount rate	5.60	5.40
Expected return on plan assets	5.60	5.40
Future salary increases		
General	2.00	2.00
Individual	3.23	3.23
Pensions in payment increase rate	0.00	0.40
Deferred pensions increase rate	0.00	0.40
Inflation	2.00	2.00

2. Demographic assumptions

Item	Description
Mortality	AG Prognosetafel 2005-2050, combined with experience mortality Watson Wyatt 2008. No age setback for both males and females before and after the pension age is used.
Disability	Table from Verbond van Verzekeraars, "Zakelijke dienstverlening II".
Withdrawal	Derived from scheme specific experience
Marriage frequency	Based on marital tables published by Actuarial Society (Actuarieel Genootschap), 100% on retirement date.
Age difference	We have assumed a three year age difference between males and females.

The amortization of gains and losses can be summarized as follows:

x € 1,000	2008	2007
Unrecognised gain (loss)	1,165	1,143
Corridor	(860)	(880)
Amount to be amortized	305	263
Average remaining service [years]	8.8	9.8
Amortization	**35**	**27**

25. Deferred tax liabilities

x € 1,000	2008	2007
Balance at January 1	1,468	2,486
Additions	39	266
Derecognition on disposal of subsidairies	(543)	-
Increase (decrease) in the year	(140)	(279)
Release to current	-	(1,005)
Balance at December 31	**824**	**1,468**

The movements in deferred tax liabilities can be summarized as follows:

x € 1,000	Work in progress	Development	Retirement benefits	Options	Hedging	Total
Balance at January 1,2007	1,216	1,610	(396)	(12)	68	2,486
Change of tax levy method	(1,216)	-	-	-	-	(1,216)
Release of retirement benefit obligations to equity	-	-	26	-	-	26
Increase (decrease) in the year	-	133	(20)	12	77	202
Exchange rate revaluation	-	(30)	-	-	-	(30)
Balance at December 31, 2007	-	1,713	(390)	-	145	1,468
Release of retirement benefit obligations to equity	-	-	-	-	-	-
Derecognition on disposal of subsidairies	-	(543)	-	-	-	(543)
Increase (decrease) in the year	-	35	4	-	(140)	(101)
Exchange rate revaluation	-	-	-	-	-	-
Balance at December 31, 2008	-	**1,205**	**(386)**	-	**5**	**824**

The deferred tax liabilities are valued against the nominal rates applicable as of 2009 in the countries concerned.

26. Other non-current liabilities

x € 1,000	2008	2007
Balance at January 1	1,393	1,683
Redemptions	(634)	-
Derecognition on disposal of subsidairies	(432)	-
Release due to settlement earn-out liability	(278)	-
Accrued interest	7	60
Current portion	-	(303)
Change in fair value	-	(164)
Foreign exchange	(56)	117
Balance at December 31	-	**1,393**

Other non-current liabilities in 2007 related to agreed future earn-out payments to the selling shareholders of Ican and liabilities for the repayment of received government grants by Ican. The earn-out liabilities were paid off together with the sale of the participating share in Ican.

27. Trade and other payables

x € 1,000	2008	2007
Trade payables	3,159	1,914
Due to customers for contract work	2,929	3,138
Other current liabilities	1,375	2,820
Balance at December 31	**7,463**	**7,872**

28. Current tax liabilities

x € 1,000	2008	2007
Current income tax	218	172
Wage tax and social securities	369	535
VAT	239	368
Balance at December 31	**826**	**1,075**

The value added tax, wage tax and social security charges are payable in January 2009. The corporate income tax is expected to be payable within twelve months.

29. Provisions

The movement in provisions can be summarized as follows:

x € 1,000	2008		2007	
	severance	guarantee	severance	guarantee
Balance at January 1	657	396	275	316
Additions	67	253	657	-
Settlements without costs	(489)	-	-	-
Changes in guarantee liabilities	-	-	-	80
Payments	(168)	(245)	(275)	-
Balance at December 31	**67**	**404**	**657**	**396**

The additions to the provision for severance payments in 2008 relate to the reorganizations within Klein Systems Group, Canada.

The Group provides for guarantee claims to cover expected costs for after sales services. Actual guarantee costs are charged to this provision. Guarantee liabilities are expected to be short term.

30. Contingent liabilities

LEASE AND RENTAL OBLIGATIONS

The Group has entered into the following contractual operational lease and rental obligations:

x € 1,000	2008	2007
Up to 1 year	974	541
1 to 5 years	1,781	1,456
Over 5 years	-	-
At December 31	**2,755**	**1,997**

Credit facilities

The Group has a bank credit facility of € 15,875 available for bank guarantees and bank overdraft/loans. Overdraft and loans are maximized to € 4,000. Per end of year the usage is as follows:

x € 1,000	2008
Bank credit facility -total	15,875
Issued bank guarantees:	
Bank guarantees due within 1 year	(2,615)
Bank guarantees due within 5 years	(1,866)
Bank guarantees due after 5 years	(474)
Bank loans/overdraft in use	-
Free available credit facility at December 31	**10,920**

The Dutch Group companies are joint and several liable and have pledged their work in progress and trade receivables against these facilities.

Foreign currency

The Group has hedged cash flows of the following currencies:

x € 1,000	2008	2007
USD	3,512	4,322
HKD	845	-
CAD	499	1,021
AUD	593	896
NOK	65	-
SGD	(264)	-
EUR	(975)	-
	4,275	**6,239**

The amounts reflect the net currency receivable (payable) position in the respective currency. An amount of € 2,878 (2007: € 4,799) relates to future projects receipts and payments, and € 1,397 (2007: € 2,146) relates to hedged intergroup receivables.

Hedged positions are rolled forward with a risk exposure amounting to the difference in interest rate between the currencies prevailing at the moment of rolling forward and the settlement date of the forward agreement. This risk is not significant.

The foreign currency contracts for future cash receipts and payments only cover existing exposures based on orders from customers. Besides these hedged positions no significant other foreign currency exposure exists of current positions (besides small contracts for which group companies are not required to hedge the foreign currency risk).

The periods in which the cash flows are expected to occur (with exception of those following from fair value hedges) and are expected to affect profit and loss are as follows:

x € 1,000	2008	2007
2009	2,305	4,494
2010	205	305
2011	112	-
2012	112	-
2013	112	-
2014	32	-
Balance at December 31	**2,878**	**4,799**

Other

A Group company has entered into a consortium agreement with local partners to realize the project for the Gulf of Khachchh, India accepting a joint and several liability. The delivery by the Group Company amounts to approximately 50% of the total contract of € 17 million.

Company income statement

For the year ended December 31

	x € 1,000	2008	2007
Company result after tax		(504)	(746)
Result of participating interests after tax		5,245	998
Net result		**4,741**	**252**

Company balance sheet

At December 31, before appropriation of the profit

	x € 1,000	2008	2007
ASSETS			
Non-current assets			
Intangible non-current assets		992	2,045
Tangible non-current assets		25	11
Financial non-current assets	2	7,870	10,366
		8,887	12,422
Current assets			
Receivables	3	2,161	17
Financial instruments		158	570
Cash		6,553	3,188
		8,872	3,775
		17,759	**16,197**
EQUITY AND LIABILITIES			
Capital and reserves	4		
Share capital		1,173	1,173
Share premium reserve		4,848	4,848
Development costs reserve		4,721	6,989
Hedging reserve		15	425
Translation reserve		(424)	(632)
Retained earnings		6,082	700
		16,415	13,503
Liabilities			
Deferred tax liabilities		824	924
Other non-current liabilities		-	861
Current liabilities		520	909
		1,344	2,694
		17,759	**16,197**

Notes to the company financial statements

For the year ended December 31, 2008

1. Significant accounting policies

The Company financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with article 362.8, Part 9, Book 2, the Company applies the same accounting standards as those applied in the consolidated financial statements, with the exception of the accounting standards regarding Financial Fixed Assets. Participations are valued at the Company's interest in their net asset value.

Participation in group companies is accounted for using the equity method. Receivables from Group companies are stated at cost.

The Company financial statements and notes thereto are presented in € 1,000, unless mentioned otherwise.

2. Financial non-current assets

x € 1,000	Participations in group companies	Receivables from group companies	Total
Balance at January 1	9,835	531	10,366
Dividend	(1,400)	-	(1,400)
Desinvestments of participations	(1,883)	-	(1,883)
Share of result in associated companies	1,512	-	1,512
Exchange differences	(194)	-	(194)
Transfer to current assets	-	(531)	(531)
Balance at December 31	**7,870**	**-**	**7,870**

The balance of participations per December 31, 2007 restated (from € 7,699 to € 9,835). The mutation concerns a payable to group companies which was deducted from the participation value. This restatement does not impact equity or result.

3. Receivables

x € 1,000	2008	2007
Receivables from group companies	1,990	-
Trade and other receivables	167	17
Current tax assets	4	-
Balance at December 31	**2,161**	**17**

Foreign exchange risks of the receivables from group companies were fully hedged on December 31, 2008.

4. Capital and reserves

SHARE CAPITAL

The Company's authorized share capital amounts to € 4,000 (2007: € 4,000) and consists of 8,000,000 ordinary shares (2007: 8,000,000) and 8,000,000 preference shares (2007: 8,000,000) each with a nominal value of € 0.25. The preference shares concern preference protective shares. Of the ordinary shares, 4,694,158 shares (2007: 4,694,158) have been issued and fully paid up as per December 31, therefore the issued share capital amounts to € 1,173 (2007: € 1,173). No preference shares have been issued. No certificates of shares exist.

SHARE PREMIUM RESERVE

The share premium reserve of € 4,848 (2007: € 4,848) is considered to be paid in capital.

DEVELOPMENT COSTS RESERVE

The development costs reserve relates to capitalized development costs in Dutch subsidiaries.

HEDGING RESERVE

The hedging reserve contains current exchange results on financial instruments used for cash-flow hedging of future project receipts and payments. No hedged transactions had to be reversed. See also the note on financial instruments.
A deferred tax effect of 25.5% is taken into account.

TRANSLATION RESERVE

Translation reserves comprise currency exchange differences on the translation of the foreign currency balance in financial non-current assets (participations), goodwill and earn-outliabilities regarding foreign operations.

DIVIDEND

On March 12, 2008 a dividend over 2007 of € 0.14 per share (total dividend € 657) was paid to shareholders.

Also on March 12, 2008 an interim dividend over 2008 of € 0.21 per share (total interim dividend € 986) was paid to shareholders following the sale of the participating share in AISLive.

After balance sheet date the Management Board has proposed a dividend (see 'Additional information'). The dividend proposal has not been recognized in the balance sheet (with exception of interim dividend that was already paid out).

5. Contingent liabilities

The Company accepted liability according to article 2:403 of the Dutch Civil Code for the subsidiaries HITT Holland Institute of Traffic Technology B.V. and Quality Positioning Services B.V.

The Company has issued parent company guarantees on behalf of subsidiaries amounting to € 2,280 in relation to projects on hand. In case the subsidiaries fail to fulfill its obligations under the outstanding tender offers, the Company may be called to stand in on behalf of the subsidiary concerned. The Company acquired all necessary rights and software tools from KSG to be able to fulfill this obligation if necessary.

The Company and all of its Dutch subsidiaries form part of a fiscal group for value added and income taxes. Subsequently the Company is liable for any of those taxes of these subsidiaries.

6. Related parties

In 2008 there were transactions between the Company and related parties consisting of the remuneration of and reimbursement of costs made by the Supervisory Board and the Management Board and the charge of a parent company fee to wholly owned subsidiaries for services rendered. Furthermore the Company financed operations of subsidiaries, whereby the Company acts as the Group's central treasury by hedging the subsidiaries' foreign currency exchange risks and issuing loans against rates based upon EURIBOR plus a markup.

Next to Mr. Prinsen as a Supervisory Director and Mr. Van Asperen as a Chief Financial Officer, two other shareholders of HITT Holding B.V. have employment contracts with the Company as of 1994. Their remuneration is included in the consolidated employee benefit expense and is market conforming.

7. Remunerations

REMUNERATION OF THE SUPERVISORY BOARD

x € 1,000	2008	2007
Albert J. Stroink	21	-
Dick Sinninghe Damsté	5	25
Eric A. van Amerongen	20	20
Hans Prinsen	20	20
Jan E. Vaandrager	16	-
	82	**65**

The remuneration of the Supervisory Directors is independent of profit or loss of the Group. No loans or guarantees have been granted to the Supervisory Board.

REMUNERATION OF THE MANAGEMENT BOARD

x € 1,000		2008		2007
Luuth van der Scheer (CEO till Feb 21, 2007)		-		20
Rob Boswijk (CEO Feb 21, 2007 till Sep 30, 2007)		-		167
Sjoerd Jansen (CEO as of Oct 1, 2007):				
- Fixed salary	213		61	
- Short term bonus	64		16	
- Long term bonus (conditional)	32		-	
- Retirement benefits	17		4	
- Other	18		-	
		344		81
		344		268
John van Asperen (CFO):				
- Management fee	188		179	
- Bonus	30		6	
		218		185
		562		**453**

In the Annual General Meeting on March 5, 2008 it was agreed to authorize the Supervisory Board to index the remuneration policy. The remuneration of the statutory director comprises:

(I) a fixed basic salary in the range of € 194 to € 234 (was € 150 to € 220) plus

(II) a bonus in cash depending on last year's net profit of the group; this bonus amounts to 30% of the fixed basic salary in case the net profit of the group is within 10% of the agreed budget. This cash bonus will be 40% in case the net profit of the group surpasses the budget with more than 10% plus

(III) a long term incentive based on exceeding the three year's business plan such that after adoption of the annual accounts of any third year a cash bonus of 15% of the annual salary inclusive of any paid out bonus will be paid if the aggregate earnings per share were higher than agreed in the Business Plan proceeding the period concerned plus

(IV) a defined contribution retirement plan for which the premium is paid equally by the Company and the statutory director plus

(V) the costs for a lease car are borne by the Company plus

(VI) the Supervisory Board may also grant additional incentives based on solid performance that do not relate directly to net results plus

(VII) in the labor contract a severance payment of 12 monthly salaries has been agreed in the event of dismissal before October 1, 2010.

The Chief Financial Officer is charging an all inclusive management fee to the Company. The amount is subject to approval of the Supervisory Board. Best practice III.6.4 of the Dutch Corporate Governance code is followed.

No loans or guarantees have been granted to the Management Board.

Shares and options of the Boards

Supervisory directors are not granted any shares and/or rights to shares by way of remuneration. Any shares held by a supervisory board member in the Company are long-term investments. At December 31, 2008 the Supervisory Board and the Management Board held shares (direct or indirect) and share options as follows:

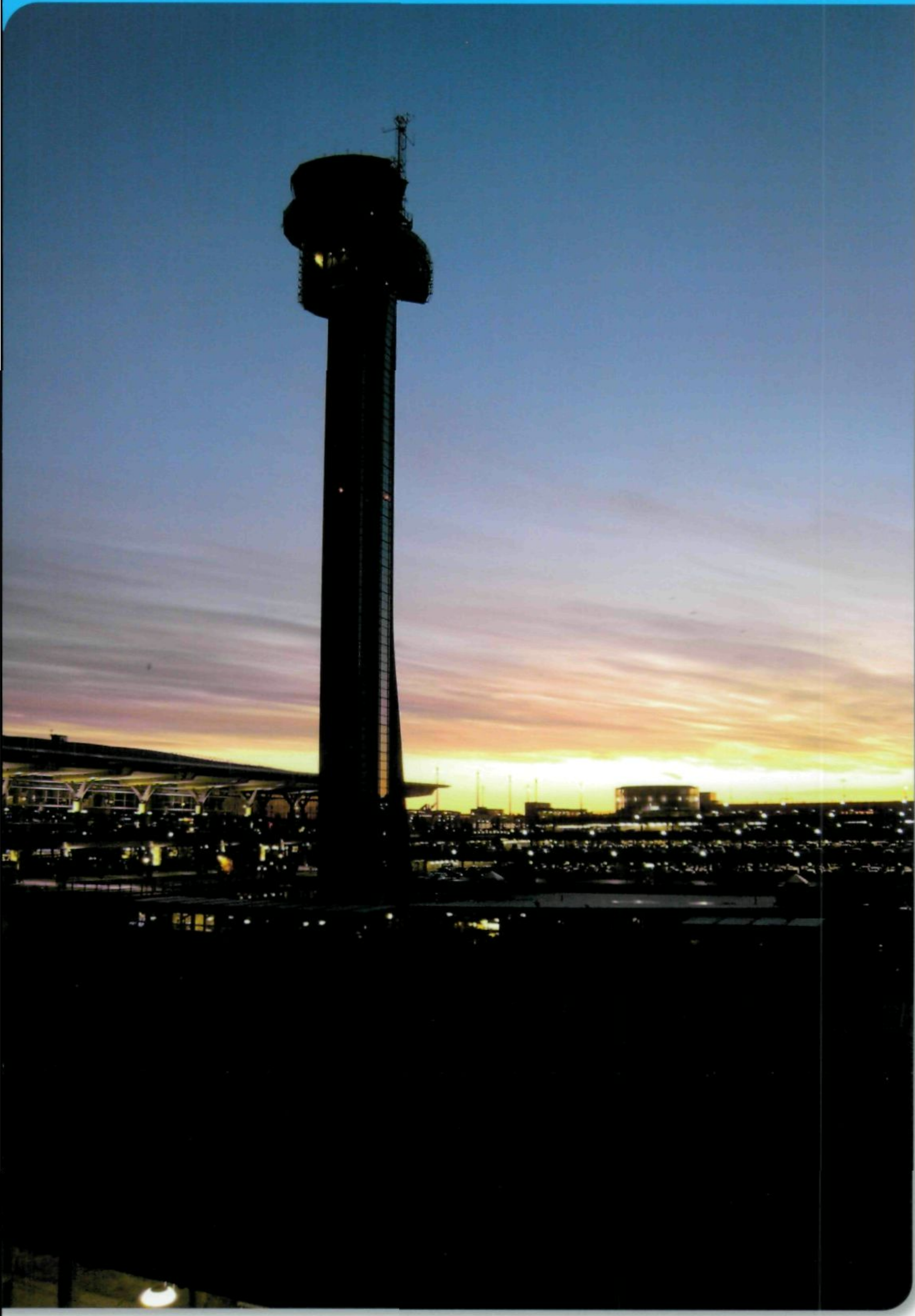
	N° of shares[2]	N° of options
Albert J. Stroink	-	-
Eric A. van Amerongen	-	-
Hans Prinsen	1,248,000	-
Jan E. Vaandrager	-	-
Sjoerd Jansen	-	-
John H.M. van Asperen	288,000	-

8. Signing of the financial statements

Apeldoorn, February 2, 2009

Management Board	Supervisory Board
Sjoerd Jansen (CEO)	Albert J. Stroink (Chairman)
John H.M. van Asperen (CFO)	Eric A. van Amerongen (Vice-Chairman)
	Jan E. Vaandrager
	Hans Prinsen

[2] Mr. Prinsen and Mr. Van Asperen hold 52% and 12% respectively of HITT Holding B.V. which holds 2,400,000 shares (51.1% of total outstanding) of HITT N.V.



Additional information

Auditors' report

To the General Meeting of Shareholders and the Supervisory Board of HITT N.V.

Report on the financial statements

We have audited the accompanying financial statements 2008 of HITT N.V., Amsterdam, as set out on pages 24 to 51. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of HITT N.V. as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of HITT N.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Zwolle, February 2, 2009

Deloitte Accountants B.V.

A.J.E. Jansman RA

Statutory regulations concerning profit allocation

Profits may only be distributed after the adoption of the Annual Accounts and if shareholders' equity exceeds the sum of paid and called-up capital plus legal reserves. Profits shall be distributed to holders of preference shares before any further distribution is made. Following the preference distribution, the Management Board shall determine, subject to approval of the Supervisory Board, what percentage of the profit is to be added to the reserves. The part of the profit remaining after the setting aside of the reserve is at the disposal of the general meeting of shareholders.

Dividend proposal

The Management Board, supported by the Supervisory Board, established the dividend policy to range from 30% to 40% of net results.

In respect of the current year the Management Board proposes that a cash dividend amounting to € 0.35 per ordinary share of € 0.25 nominal value will be paid. After subtracting the interim dividend already paid out, a remaining dividend of € 0.14 per share will be paid out in March 12, 2009. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If the proposed dividend is adopted it will result in a 34% pay-out ratio, amounting to a total dividend of € 1,643 of which € 986 already paid as an interim dividend.

Language

According to the decision of the Annual General Meeting of shareholders the annual reports of HITT are in English. A translated Dutch version is also available. In case of differences the English version prevails.

HITT nv

Oude Apeldoornseweg 41 – 45
P.O. Box 876
7301 BC Apeldoorn
The Netherlands

Telephone:	+31 (55) 543 25 90
Telefax:	+31 (55) 543 25 95
Internet:	www.hitt.nl
E-mail:	info@hitt.nl
Chamber of commerce:	33.30.30.93