

INFORMATION TO SHAREHOLDERS

IFRS Quarterly Report

of

Höft & Wessel AG as at 31 March 2007  
(unaudited)



**HÖFT & WESSEL**

## Summary

In the first quarter of fiscal 2007, the Höft & Wessel Group generated EUR 18.0 million in sales revenues (previous year: EUR 15.0 million). Total output came to EUR 19.3 million (previous year: EUR 16.0 million). Earnings before taxes (EBT) in the first quarter of the year under review amounted to -EUR 1.4 million (first quarter of 2006: -EUR 1.6 million). This result is in line with expectations since the poor 1<sup>st</sup> quarter corresponds to the traditionally cyclical business trend. However, it is below the level of the quarterly loss recorded in the previous year.

The order intake as at the reference date amounted to EUR 22.5 million, improving on the previous year's figure (Q1 2006: EUR 21.5 million). The order portfolio, at EUR 64.5 million as at 31 March 2007, also exceeded the level of the previous year (Q1 2006: EUR 45.9 million).

## Outlook

As the quarterly figures and current order intake are developing according to schedule, Höft & Wessel affirms its forecast and expects sales revenues for the current fiscal year 2007 to increase in the order of more than 90.0 million euros and a further satisfactory pre-tax earnings figure.

## Business trends

In the first quarter of fiscal 2007, the Höft & Wessel Group generated EUR 18.0 million in sales revenues (previous year: EUR 15.0 million). Total output came to EUR 19.3 million (previous year: EUR 16.0 million). Earnings before taxes (EBT) in the first quarter of the year under review amounted to -EUR 1.4 million (first quarter of 2006: -EUR 1.6 million). This result is in line with expectations since the poor 1<sup>st</sup> quarter corresponds to the traditionally cyclical business trend. However, it is below the level of the quarterly loss recorded in the previous year.

The order intake amounted to EUR 22.5 million as at the reference date and was therefore slightly higher than the previous year's figure (Q1 2006: EUR 21.5 million). The order portfolio, at EUR 64.5 million as at 31 March 2007, also exceeded the level of the previous year (Q1 2006: EUR 45.9 million).

## Outlook

As the quarterly figures and current order intake are developing according to schedule, Höft & Wessel affirms its forecast and expects sales revenues for the current fiscal year 2007 to increase in the order of more than 90.0 million euros, along with a further satisfactory pre-tax earnings figure.

## Distribution and marketing activities

Höft & Wessel began the new fiscal year by focusing on intensifying the Company's international business strategy and reinforcing its distribution operations. In the 1<sup>st</sup> quarter of 2007, the Company took part in a number of national and international trade fairs. Among them were the key trade fair in the U.S., the National Retail Fair (NRF) in New York, the premier trade fair in Germany, EuroCIS in Dusseldorf, the renowned Retail Business Show in London, CeBIT in Hanover, the Passenger Terminal Expo in Barcelona and Inter-traffic 2007 in China's capital, Beijing.

At the NRF, Höft & Wessel introduced its new distribution partner, DBK Concepts Inc., Miami. In the U.S., the Company is one of the leading providers of mobile data recording devices for the retail trade. The cooperative venture is intended to widen the common product range and to enhance the development of the U.S. market for Höft & Wessel.

With its new skeye.quickpay payment terminal, at the EuroCis Höft & Wessel once again presented itself as a pacemaker for advanced solutions in the retail market. Using this device, merchandise tracking and payment processes are decoupled at the supermarket cash desk. This makes it possible for almost twice as many customers to be served at the cash desk than in the past.

In the United Kingdom retail trade, the Skeye business unit took part at the Retail Business Show. The attractive high-performance handheld skeye.allegro, also in its version featuring a large display (skeye.allegro LS), met with brisk buyer interest in London.

With a view to positioning itself as an indispensable component of the process chain between suppliers, wholesalers and retailers, Höft & Wessel took part in displaying the solution in a shared AIM booth at the CeBIT. In addition, the Industrial Association for Automated Identification, Data Recording and Mobile Data Communication (AIM) had signed up Peter Claussen, Deputy CEO of Höft & Wessel AG, for the AIM RFID Forum, where he explained the current status of RFID market development to an expert trade fair audience.

Also at the CeBIT, Höft & Wessel had a guest appearance in the T-Systems stand, demonstrating a customer relationship management solution favoured by its reference customer, eismann Tiefkühl-Heimservice, a solution that could not have been realized without mobile data capturing devices.

Höft & Wessel's Almex business division also participated at the annual Passenger Terminal Expo held in Barcelona this year. The new design of the almex.express check-in terminal

met with a positive reception from prospective buyers from airports and airlines alike. SAS, Spanair and Air Berlin were supplied with the new almex.express in the first quarter.

For the first time ever, the UK subsidiary Metric attended a trade fair in China. Apart from presenting the new AURA car park ticket machine, the objectives of taking part in the Intertraffic 2007 included a search for Chinese distribution partners.

## From the business divisions

In the first quarter, among other things the Almex division received an order of note from Switzerland. The railway catering enterprise Elvetino, a subsidiary of Swiss Federal Rail - Schweizer Bundesbahn (SBB), is set to equip its restaurant waiters with 200 almex.mobile devices. The portable cash points will be equipped with the company's own software to enable them to be deployed as a portable merchandise management system. In the process, Höft & Wessel acquired a further key order from Switzerland. At the SBB, some 2,500 almex.mobile handhelds are in use, for instance.

Hamburger Hochbahn AG – a long-standing customer of ours – had been supplied on schedule with 200 almex.station ticket machines. New orders for the transport sector have been received from Norway, Portugal and Hungary. The order intake in the Almex division would have turned out even better if the objection to the award in favour of Höft & Wessel by Rhätische Bahn had been decided by a final court ruling.

In the Skeye division, the first quarter unfolded in line with our expectations. In the retail sector, the core field of competence for Skeye, the new skeye.quickpay terminal is rapidly developing into a winner. For about a year now, it has been subjected to successful trials in the C&C Markets of Metro AG in Germany and Austria. The wholesale trader now plans to equip all markets with pay terminals from Höft & Wessel.

Karstadt Warenhaus GmbH has placed a follow-up order with Skeye for 3,200 skeye.allegro LS devices linked up via WLAN with the merchandise management system of the trading organization.

Field trials for Schweizerische Post, which had placed an order worth 20 million CHF with Skeye - the biggest single award in the history of the business division – were successfully concluded. The weekly deliveries agreed commenced in March.

The automobile association ADAC is already deploying the skeye.pad XSL in Germany; the pilot phase for this device in the service vehicles of the Royal Automobile Club (RAC) in Great Britain is now due to begin.

The UK subsidiary Metric has successfully extended its international operations; one third of all orders placed for machinery came from abroad. Supplies to Italy, Israel, the Netherlands and Bermuda contributed toward this trend. The good market acceptance of the new AURA indicates that this system will help boost the growing level of foreign sales revenues in future. The AURA is to be supplied in the U.S. in the near future.

## Research and development

The R&D activities of the Almex division in the 1st quarter predominantly involved project work and the continual improvement in quality of the entire range of Almex products.

The primary focus of R&D work at Skeye in the 1<sup>st</sup> quarter was on skeye.integral 2 UHF, which is now available as a serial product. Compared with its predecessor, the microprocessor of this product delivers a substantially higher performance (624 instead of 206 MHz). In addition, the further development of the antenna system deployed was intensified and work on extending the RFID technology was boosted by hiring an additional development engineer. In connection with the large-scale project Schweizerische Post, special communication stations were developed according to schedule. The unit in

question is a four-fold station with a USB communication interface and a new network station. Work on developing the new skeye.quickpay terminal was also concluded in the period under review.

## Investments

Investments focused on necessary purchases of tools as well as on hardware and software for PCs and workstations.

## Further information

The size of the workforce as at the reference date amounted to 500 employees (previous year: 489). On average, the Höft & Wessel Group employed 500 persons (previous year: 489).

The following overview shows the number of shares held as at 31 March 2007 by members of the Board of Management and the Supervisory Board along with the rights granted to the persons in question to subscribe to such shares:

Supervisory Board:

Michael Höft: 33,590 shares

Manfred Zollner: 1,500 shares

H&W Holding GmbH: 3,450,000 shares

Zollner Elektronik AG: 772,490 shares

Management Board:

Hansjoachim Oehmen: 20,000 shares and 60,000 stock options from the option programme 2005 of Höft & Wessel AG.

Peter Claussen: 750 shares and 50,000 stock options from the option programme 2000 of Höft & Wessel AG.

Thomas Wolf: 9,000 stock options from the option programme 2000 of Höft & Wessel AG.

Due to employees leaving the Company, there was no change in the number of stock options issued to the workforce compared with the figure indicated in the 2006 annual financial statements.

## Share price trend

Höft & Wessel AG is listed in the Prime Standard segment of the German Securities Exchange. The share price of Höft & Wessel AG in on-the-floor trading on the Frankfurt Stock Exchange amounted to EUR 3.32 on 2 January 2007 and to EUR 4.46 on 30 March 2007. Höft & Wessel's share price was up by 34 per cent in the 1<sup>st</sup> quarter, outperforming the "Technology All Share" index in the process. The "Technology All Share Performance Index" stood at 986.73 points on 2 January 2007 and at 1,100.44 points on 30 March 2007, up by 12 per cent. Höft & Wessel's share price reached a low of EUR 3.32 on 02 January 2007 and its high of EUR 4.88 on 26 March 2007.

As at 30 March 2007, earnings per share came to -EUR 0.18 (previous year: -EUR 0.18).

## Segment reporting

Segment reporting is based on segments in which the Höft & Wessel Group is engaged with its three business units, Skeye, Almex and Metric. Unlike the position in earlier years, from fiscal 2007 an additional segment will be included in our reporting: Corporate Services. In this segment, those expenses of Höft & Wessel AG are reported which do not result from the operating business of the past three segments. This pri-

marily relates to the expenses of superimposed administration and the stock exchange. The presentation of the previous year was adjusted accordingly.

As in the previous year, the breakdown only to the level of EBIT remains unchanged because any further breakdowns no longer reflect the required degree of accuracy.

In k €	2007 Skeye	2006 Skeye	2007 Almex	2006 Almex	2007 Metric	2006 Metric	2007 Corporate Services	2006 Corporate Services	2007 Total	2006 Total
Germany	3,229	4,379	4,654	2,846	3	32	0	0	7,886	7,257
Great Britain	27	(5)	111	110	6,158	5,156	0	0	6,296	5,261
Rest of EU	469	425	891	643	279	66	0	0	1,639	1,134
Non-EU	1,038	723	702	250	395	399	0	0	2,135	1,372
<b>Total sales</b>	<b>4,763</b>	<b>5,522</b>	<b>6,358</b>	<b>3,849</b>	<b>6,835</b>	<b>5,653</b>	<b>0</b>	<b>0</b>	<b>17,956</b>	<b>15,024</b>
Change in inventories	1,668	(562)	(1,172)	708	(27)	(161)	1	181	470	166
Company-produced additions to plant and equipment	324	370	316	272	283	219	0	0	923	861
<b>Total output</b>	<b>6,755</b>	<b>5,330</b>	<b>5,502</b>	<b>4,829</b>	<b>7,091</b>	<b>5,711</b>	<b>1</b>	<b>181</b>	<b>19,349</b>	<b>16,051</b>
COGS	(4,324)	(2,414)	(2,706)	(2,109)	(2,943)	(1,988)	(14)	(200)	(9,987)	(6,711)
<b>Contribution margin 1</b>	<b>2,431</b>	<b>2,916</b>	<b>2,796</b>	<b>2,720</b>	<b>4,148</b>	<b>3,723</b>	<b>(13)</b>	<b>(19)</b>	<b>9,362</b>	<b>9,340</b>
Personnel expenses	(1,235)	(1,192)	(1,945)	(1,862)	(2,483)	(2,441)	(1,052)	(1,564)	(6,715)	(7,059)
<b>Contribution margin 2</b>	<b>1,196</b>	<b>1,724</b>	<b>851</b>	<b>858</b>	<b>1,665</b>	<b>1,282</b>	<b>(1,065)</b>	<b>(1,583)</b>	<b>2,647</b>	<b>2,281</b>
Depreciation	(304)	(282)	(352)	(436)	(379)	(370)	(90)	(90)	(1,125)	(1,178)
Other expenses and income	(909)	(904)	(1,238)	(866)	(1,297)	(1,517)	812	685	(2,632)	(2,602)
<b>EBIT by segments</b>	<b>(17)</b>	<b>538</b>	<b>(739)</b>	<b>(444)</b>	<b>(11)</b>	<b>(605)</b>	<b>(343)</b>	<b>(988)</b>	<b>(1,110)</b>	<b>(1,499)</b>
non-segmented income / (expenses)									0	0
<b>EBIT</b>									<b>(1,110)</b>	<b>(1,499)</b>
Interest expenses									(314)	(154)
Interest income									2	23
Income taxes									(99)	93
<b>Loss for the period</b>									<b>(1,521)</b>	<b>(1,537)</b>
<b>Further particulars</b>										
The information on segment assets and segment liabilities are based on the one hand on direct allocations; on the other, they were determined by using key figures on the basis of the operating situation.										
In m €	2007 Skeye	2006 Skeye	2007 Almex	2006 Almex	2007 Metric	2006 Metric	2007 Corporate Services	2006 Corporate Services	2007 Total	2006 Total
<b>Segment assets</b>										
- Allocated assets	17.2	13.1	17.4	18.3	29.2	26.1	0.7	0.9	64.5	58.4
- non-allocated common assets (liquid funds, deferred taxes)									6.0	8.3
<b>Segment liabilities</b>										
- Liabilities allocated	4.5	4.2	8.7	9.3	12.2	11.6	0.1	0.2	25.5	25.3
- Non-allocated liabilities (loans, deferred taxes)									14.9	9.3
<b>Additional information</b>										
- acquisition of fixed assets	0.4	0.5	0.4	0.3	0.4	0.6	0.1	0	1.3	1.4

IFRS Consolidated Financial Statements  
of the Höft & Wessel Group (unaudited)

Balance sheet

	31/03/2007 k €	31/12/2006 k €
<b>ASSETS</b>		
Non-current assets		
Intangible assets	8,032	7,973
Goodwill	10,888	11,015
Tangible assets	4,400	4,518
Deferred tax assets	5,711	5,774
Total non-current assets	29,031	29,280
Current assets		
Inventories	22,501	21,192
Trade accounts receivable	15,496	17,554
Cash and cash equivalents	293	2,442
Other assets	3,196	3,255
Total current assets	41,486	44,443
<b>TOTAL ASSETS</b>	<b>70,517</b>	<b>73,723</b>

	31/03/2007 k €	31/12/2006 k €
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Subscribed capital	8,497	8,497
Capital reserves	19,693	19,693
Accumulated profit	1,737	3,258
Exchange-rate compensation item	144	377
<b>Total equity</b>	<b>30,071</b>	<b>31,825</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Pension reserves	1,093	1,102
Financial obligations arising from leasing operations	225	283
Financial liabilities to banks	809	1,060
Deferred tax liabilities	2,815	2,735
<b>Total long-term liabilities</b>	<b>4,942</b>	<b>5,180</b>
<b>Short-term liabilities</b>		
Provisions	2,080	2,228
Current income tax liabilities	828	882
Financial obligations arising from leasing operations	489	397
Financial liabilities to banks	16,503	15,081
Trade accounts payable	10,233	11,410
Advance payments received	1,607	1,403
Other liabilities	3,764	5,317
<b>Total short-term liabilities</b>	<b>35,504</b>	<b>36,718</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70,517</b>	<b>73,723</b>

## Profit and Loss Statement

(for the period from 1 January to 31 March, unaudited)

	Q1		Cumulative	
	01/01– 31/03		01/01 – 31/03	
	2007	2006	2007	2006
	k €	k €	k €	k €
Sales	17,956	15,024	17,956	15,024
Inventory changes relating to finished goods and work-in-progress	470	166	470	166
Company-produced additions to plant and equipment	923	861	923	861
<b>Total output</b>	<b>19,349</b>	<b>16,051</b>	<b>19,349</b>	<b>16,051</b>
Other operating income	334	555	334	555
Cost of materials and services procured	9,987	6,711	9,987	6,711
Personnel expenses	6,715	7,059	6,715	7,059
Depreciation, amortisation and write-offs on tangible and intangible assets	1,125	1,178	1,125	1,178
Other operating expenses	2,966	3,157	2,966	3,157
<b>Earning before interest and taxes</b>	<b>(1,110)</b>	<b>(1,499)</b>	<b>(1,110)</b>	<b>(1,499)</b>
Interest income / (expenses)	(312)	(131)	(312)	(131)
<b>Earnings before taxes</b>	<b>(1,422)</b>	<b>(1,630)</b>	<b>(1,422)</b>	<b>(1,630)</b>
Income tax	(99)	93	(99)	93
<b>Net loss for the period</b>	<b>(1,521)</b>	<b>(1,537)</b>	<b>(1,521)</b>	<b>(1,537)</b>
Profit carried forward at beginning of the period	3,258	5,749	3,258	5,749
<b>Accumulated profit</b>	<b>1,737</b>	<b>4,212</b>	<b>1,737</b>	<b>4,212</b>
Earnings per share (basic)	(0.18)	(0.18)	(0.18)	(0.18)
Earnings per share (diluted)	(0.18)	(0.18)	(0.18)	(0.18)
Average number of shares outstanding (basic)	8,497,490	8,497,490	8,497,490	8,497,490
Average number of shares outstanding (diluted)	8,497,490	8,497,490	8,497,490	8,497,490

## Cash flow statement

(for the period from 1 January to 31 March, unaudited)

	01/01/2007 – 31/03/2007	01/01/2006 – 31/03/2006
	k €	k €
Cash flow from operations:		
Net profit / (loss)	(1,521)	(1,537)
Adjustments for:		
Depreciation and amortisation	1,125	1,178
increase / reduction in provisions and valuation adjustments	(77)	(290)
Profit / loss from retirement of fixed assets	9	0
Foreign-currency gains / losses	91	168
Miscellaneous	(10)	(160)
Change in net current assets	(1,709)	5,162
Cash generated (deployed) from operating activities	(2,092)	4,521
Cash flow from investment activities		
Acquisition of fixed assets	(1,262)	(1,393)
Proceeds from the sale of fixed assets	0	0
Cash deployed for investments	(1,262)	(1,393)
Cash flow from financing activities		
Deposits from taking out short- or long-term loans	1,171	(3,212)
Disbursements made in repayment of loans		
Disbursements for finance leasing	34	(109)
Cash generated (deployed) from financing activities	1,205	(3,321)
Increase / reduction in liquid funds	(2,149)	(193)
Liquid funds at the beginning of the period	2,442	2,396
Liquid funds at the end of the period	293	2,203

## Performance of shareholders' equity

(for the period from 1 January 2006 to 31 March 2007, unaudited)

	Subscribed capital	Capital reserves	Balance-sheet profit / loss	Exchange-rate compensation item	Total
	k €	k €	k €	k €	k €
As per 01/01/2006	8,497	19,677	5,749	(80)	33,843
Expenses and income posted directly in equity capital				457	457
Earnings for period			(2,491)		(2,491)
Total consolidated earnings			(2,491)	457	(1,670)
Issue of stock options		16			16
As per 31/12/2006	8,497	19,693	3,258	377	31,825
Currency translation difference				(233)	(233)
Earnings for period			(1,521)		(1,521)
Total consolidated earnings			(1,521)	(233)	(1,754)
As per 31/03/2007	8,497	19,693	1,737	144	30,071

Further particulars:

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