

INFORMATION TO SHAREHOLDERS

IFRS Quarterly Report

of
Höft & Wessel AG as per 30th June, 2007
(unaudited)



HÖFT & WESSEL

Summary

In the first half of fiscal 2007 the Höft & Wessel Group generated EUR 42.5 million in sales revenues (previous year: EUR 38.8 million) and an aggregate output of EUR 45.3 million (previous year: EUR 42.4 million). Earnings before interest and taxes (EBIT) during the first half were EUR 0.3 million after EUR 0.1 million in the previous year. Also in the current year business developed in a cyclical way as partly in previous years.

Order intake during the first two quarters came to a total of EUR 47.8 million and at plus 23% was therefore significantly higher than last year's figure (2006: EUR 38.8 million). At EUR 65.3 million the order portfolio on 30th June, 2007, exceeded that of the previous year by 66% (2006: EUR 39.4 million). Both figures underline the trend towards a positive development.

Expected development

In view of the development in the first half year having been in accordance with planning Höft & Wessel confirms the forecast for the entire year under review. For the current fiscal year 2007 significantly higher revenue in an order of magnitude of more than EUR 90 million and a satisfactory profit before taxes are expected.

Business trends

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Sales activities

In the second quarter 2007 Höft & Wessel intensified the sales and marketing activities at home and abroad. All of our three business sectors made use of a number of specialized trade fairs in order to present new products and solutions. Almex showed innovative as well as practice-proven eTicketing solutions at the UITP 2007 in Helsinki. Skeye for the first time presented the pay-terminal skeye.quickpay to international viewers at the Retail Solutions 2007 in Birmingham. The UK-subsi-dary of the group, Metric, achieved good order intake after presenting several new additional functions of the automatic parking

system Aura on the occasion of the important specialised traffic exhibition Traffex.

Hamburger Hochbahn AG (Hamburg public transport) decided in favour of the application solutions of Höft & Wessel. The Almex division is to equip all 900 vehicles of the transport company with almex.optima on-board computers. In that way the integrated ticketing solution of Höft & Wessel was able to prevail in a Europe-wide tender. In the case of Rätische Bahn an appeal had been lodged against contract award to Höft & Wessel in the tender process – also Europe-wide – but a court decided in favour of Höft & Wessel. On the basis of that order from Chur more than a hundred stations will be equipped with automatic ticket vending machines almex.station. With Transport Publics de la Région Lausannoises, which is going to equip the stations of its new underground line with 70 automatic ticket vending machines almex.station, Höft & Wessel are continuing their success story in that neighbouring country in French-speaking Switzerland.

On account of their competence in passenger transport by bus Höft & Wessel AG received an order from Global Salcai Utinsa, the largest bus company on Gran Canaria, for 350 almex.optima units. Initial success was also achieved with two bus companies in Portugal, which are going to use a total of 207 almex.optima on-board computers in connection with accounting and administration software almex.office. Almex received further orders from Scottish bus operators. In addition the largest independent bus operator in the United Kingdom, Nottingham City Transport, ordered 374 almex.optima on-board computers. The growing success in the UK market is probably also due to the appointment of the proven traffic specialist John Clarkson as head of Almex UK. Also in the field of air traffic Almex holds a good position. The customer of long standing SAS in the second quarter ordered just under 80 check-in-terminals, type almex.express, for its passengers.

The Skeye sector was able to expand its market position in trade and focuses on products of the future. With Metro a RFID field trial was started with skeye.integral 2 UHF. The trading company moreover was happy with the performance of the skeye.quickpay pay-terminals and is considering to use them in all their cash & carry markets.

In its export business Skeye was able to ensure the friction-free project performance by proper delivery of hard- and software for the large-size contract from the Swiss Mail System. In the UK an important new customer, Farmfoods, was won. This food supermarket company will be using the skeye.allegro LS with large display in all its markets. Skeye also expects further promotion of its business after several successful participations in trade fairs, including Kiosk Europe in Essen as a partner on the IBM stand, on the AIM partner stand at the EuroID in Cologne and as a partner of Warok Computer & Software on the Orbit-iEX in Zurich.

The UK subsidiary Metric at the beginning of the second quarter made use of the most important traffic and transport trade fair Traffex in Birmingham, in order to present further improvements of the new Aura automatic parking systems. For example Aura was provided with an "emergency call" feature, which will, if necessary, make a connection with the nearest police station. Furthermore the contact-free payment method permits to pay the parking fees by credit card and have them debited monthly. For parking fee amounts below 10 pounds Aura will in future permit the "payWave" method of payment in cooperation with CreditCall. No PIN number is needed. A further novelty is that the Aura parking system will in future permit paying of the parking fee by mobile phone.

Further purchase orders from the City of Sheffield, the first municipality to decide in favour of the Aura parking system, shows that the market is receiving Aura well. The same applies to the municipality East Riding, which is replacing a system of a competitor by Aura.

Metric also won a tender of the City of Cardiff for 145 completely equipped automatic parking systems.

Research and Development

The development work for ITSO-certification was a focus of the F&E-activities, which were advanced by Almex both in the UK and in Germany. The ITSO-Standard of the Integrated Transport Smartcards Organisation is the equivalent of the German VDV-KA-Standard of the Association of German Transport Enterprises. Both standards have the aim to create unified payment and administration conditions for the use of multi-regional transport facilities in the field of Public Transport.

On 13th June, 2007, success was achieved: Höft & Wessel as the first manufacturer worldwide received full ITSO-certification according to the ITSO-Standard for their ticketing department.

Investments

Investments were concentrated on the purchase of the necessary tools, as well as hard- & software for personal computers and work stations. Furthermore the measuring cabin for developments for EMC approvals (i.e. electro-magnetic compatibility) was additionally equipped with wideband absorbers, whereby considerably more accurate measuring is made possible and costly subsequent tests are made superfluous.

Annual general meeting

At the annual general meeting of Höft & Wessel on 21st June, 2007, in Hanover, all items of the agenda were resolved by a majority of more than 99 per cent of the share capital represented. Managing and supervisory board received approval of their actions by the shareholders participating. The authorisation for the company to acquire own shares up to a maximum of 10 per cent of the registered capital was extended until 20th December,

2008. Also the managing board was authorised to cancel such own shares with approval of the supervisory board without any further resolution of the annual general meeting. The supervisory board was authorised to amend § 3 of the statutes in accordance with the current use of such authorisation for cancellation from time to time.

In order to comply with the Transparenzrichtlinien-Umsetzungsgesetzes (TUG – statute on realisation of transparency directives), which came into force on 2nd January, 2007, the annual general meeting approved amendment of § 20 of the statutes. By doing that the annual general meeting confirmed its approval of transmittal of information to the shareholders by remote data transmittal.

The chairman of the managing board, Hansjoachim Oehmen, pointed out the excellent portfolio of orders in the Almex division and the good position of the Skeye division, which was able to confirm its role as a preferred supplier of the trade. Also, the UK subsidiary Metric had overcome the difficulties caused by the move to new manufacturing facilities and the new start of production of Aura. Oehmen showed that by the beginning success in international sales, it was proven that strategy and planning of the management board started to become effective. He confirmed continuation of the clear strategy for growth and for making the company more international as necessary.

Further information

At reference date Höft & Wessel employed 504 people (previous year: 514). On an average 502 employees worked for Höft & Wessel (previous year: 502).

The following summary shows the number of shares, which were held on 30th June, 2007, by members of the management and supervisory boards, and the options granted to such persons for acquisition of 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 120,000 stock options from the option programm 2005 of Höft & Wessel AG.

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

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

The number of stock options granted to employees compared with the number given in the annual accounts for 2006 did not change.

Share price trend

Höft & Wessel AG are listed in the Prime Standard segment of the German Stock Exchange. The share price in on-the-floor trading of the Frankfurt Securities Exchange was EUR 3.32 on 2nd January, 2007, and on 29th June, 2007, was EUR 5.07, meaning that the price of a share rose by 52.7 per cent during the reference period, whilst the index „Technology All Shares“ rose by 19 per cent during the same period. The lowest price of Höft & Wessel shares of EUR 3.32 per share was reached on 2nd January, 2007, and reached a high of EUR 5.07 on 29th June, 2007.

On 30th June, 2007, earnings per share came to EUR - 0.06 (previous year: - 0.01 Euro).

Segment reporting

Segment reporting is based on business sectors, in which the Höft & Wessel Group are active with their Business Units Amex, Skeye and Metric. In addition to the status of the previous years another sector is shown: Corporate Services. In that sector the expenditure of Höft & Wessel AG, which does not result from the operations of the previous three sectors, is shown. Primarily it includes group administration and stock

exchange.

Arrangement of the figures of the previous year was amended accordingly. The breakdown to the level of EBIT remains unchanged because any further breakdowns would 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 Group	2006 Group
Germany	8,829	11,407	7,900	9,650	4	0	0	0	16,733	21,057
United Kingdom	493	(2)	245	594	12,698	10,440	0	0	13,436	11,032
Rest of EU	1,079	1,670	2,624	1,751	550	93	0	0	4,253	3,514
Non-EU	6,256	911	1,111	870	747	1,411	0	0	8,114	3,192
Total sales	16,657	13,986	11,880	12,865	13,999	11,944	0	0	42,536	38,795
Change in inventories	1,161	471	(372)	1,265	240	(131)	1	230	1,030	1,835
Capitalised performance	641	717	502	485	563	617	64	0	1,770	1,819
Total output	18,459	15,174	12,010	14,615	14,802	12,430	65	230	45,336	42,449
COGS	(11,907)	(8,299)	(5,804)	(7,406)	(6,763)	(4,591)	(17)	(252)	(24,491)	(20,548)
Contribution 1	6,552	6,875	6,206	7,209	8,039	7,839	48	(22)	20,845	21,901
Employees	(2,502)	(2,390)	(3,910)	(3,802)	(4,776)	(4,798)	(2,073)	(2,723)	(13,261)	(13,713)
Contribution 2	4,050	4,485	2,296	3,407	3,263	3,041	(2,025)	(2,745)	7,584	8,188
Depreciation	(668)	(583)	(734)	(853)	(754)	(763)	(185)	(183)	(2,341)	(2,382)
Other expenses/income	(1,893)	(1,929)	(2,322)	(2,137)	(2,473)	(3,214)	1,757	1,563	(4,931)	(5,717)
EBIT by Segments	1,489	1,973	(760)	417	36	(936)	(453)	(1,365)	312	89
Non-segment, income / (expenses)									0	0
EBIT									312	89
Interest expenses									(660)	(326)
Interest income									1	15
Taxes on income									(164)	134
Loss for the period									(511)	(90)
Further particulars	Information on segment assets and segment liabilities are partly based on direct allocations and were partly 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 Group	2006 Group
Segment assets										
- Assets allocated	18.6	19.1	19.4	17.5	28.4	25.0	0.7	0.9	67.1	62.5
- Non-allocated common assets (liquid funds, deferred taxes)										8.4
Segment liabilities										
- allocated liabilities	5.7	6.1	9.0	9.0	11.4	10.1	0.1	0.2	26.2	25.4
- non-allocated liabilities (loans, deferred taxes)									15.9	11.8
Further information										
- Additions to assets	0.9	1.1	0.6	0.5	0.7	0.9	0.1	0.2	2.3	2.7

IFRS-Group Annual Accounts
of Höft & Wessel Group (unaudited)

Balance Sheet

	30th June, 2007	31st December, 2006
	k €	k €
ASSETS		
Non-current assets		
Intangible assets	8,114	7,973
Goodwill	10,977	11,015
Tangible assets	4,214	4,518
Deferred tax assets	5,702	5,774
Total non-current assets	29,007	29,280
Current assets		
Inventories	22,505	21,192
Trade accounts receivable	18,281	17,554
Cash and cash equivalents	356	2,442
Other assets	3,013	3,255
Total current assets	44,155	44,443
TOTAL ASSETS	73,162	73,723

	30th June, 2007	31st December, 2006
	k €	k €
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	8,497	8,497
Capital reserve	19,693	19,693
Accumulated profit	2,747	3,258
Exchange-rate compensation item	183	377
Total equity	31,120	31,825
Liabilities		
Long-term liabilities		
Pension reserves	1,099	1,102
Financial obligations arising from leasing operations	190	283
Financial liabilities due to banks	566	1,060
Deferred tax liabilities	2,826	2,735
Total long-term liabilities	4,681	5,180
Short-term liabilities		
Provisions	1,971	2,228
Current liabilities for taxes on income	848	882
Financial obligations arising from leasing operations	435	397
Financial liabilities due to banks	16,419	15,081
Trade accounts payable	8,576	11,410
Advance payments received	3,781	1,403
Other liabilities	5,331	5,317
Total short-term liabilities	37,361	36,718
TOTAL EQUITY AND LIABILITIES	73,162	73,723

Profit and Loss Statement

(for the period from 1st January until 30th June, unaudited)

	Q2		Cumulative	
	1st April– 30th June		1st January – 30th June	
	2007 k €	2006 k €	2007 k €	2006 k €
Sales revenues	24,580	23,771	42,536	38,795
Changes in inventories of finished goods and work in progress	560	1,668	1,030	1,835
Other capitalised group-produced performance items	847	958	1,770	1,819
Total Output	25,987	26,557	45,336	42,449
Other operating income	375	160	709	715
Cost of materials and services procured	14,504	13,837	24,491	20,548
Personnel expenses	6,545	6,654	13,261	13,713
Depreciation, amortization and write-offs on tangible and intangible assets	1,216	1,204	2,341	2,382
Other operating expenses	2,675	3,275	5,640	6,432
Operating income	1,422	1,587	312	89
Interest income/ (interest expenses)	(347)	(180)	(659)	(311)
Earnings before taxes	1,075	1,407	(347)	(222)
Taxes on income	(65)	40	(164)	134
Net income / (net deficit)	1,010	1,447	(511)	(90)
Profit carried forward at beginning of period	1,737	4,212	3,258	5,749
Profit for the period	2,747	5,659	2,747	5,569
Earnings per share (undiluted)	0,12	0,17	(0,06)	(0,01)
Earnings per share (diluted)	0,12	0,17	(0,06)	(0,01)
Average number of shares outstanding (undiluted)	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 1st January until 30th June, unaudited)

according to German accounting Standard No.2 (DRS 2) in compliance with IAS 7 (refer to note No. 35.1)

	1st Jan, 2007 – 30th June, 2007	1st Jan, 2006 – 30th June, 2006
	k €	k €
Cashflow from operating activities:		
Group earnings before interest and income tax	312	89
-/+ interest expenses/income with no effect on payments		
-/+ income tax expenses/income with no effect on payments	(119)	136
+ interest income	1	15
- interest expenses	(661)	(327)
-/+ disbursements/deposits for income tax	(45)	(3)
+ depreciation and amortisation of fixed assets	2.341	2.382
+/- increase / decrease in provisions	(169)	(349)
+/- other expenses / income with no effect on payments	(1)	
-/+ increase / decrease in inventories, trade accounts receivable, as well as other assets	(1,727)	3,195
+/- increase / decrease in inventories, trade accounts payable, as well as other liabilities not to be allocated to investment or financing activities	(476)	(1,248)
+/- change in exchange rate compensation item	(3)	203
= cash generated from operating activities	(545)	4,094
Cash flow from investment activities:		
- disbursement for investment in fixed assets	(1,776)	(880)
- disbursement for investment in intangible assets	(554)	(1,839)
= cash deployed for investment	(2,330)	(2,719)
Cash flow from financing activities		
+/- deposits / disbursements from taking out / redemption of financial loans	844	(1,363)
- disbursements for finance leasing	(55)	(213)
= cash generated from financing activities	789	(1,576)
Decrease in liquid funds	(2,086)	(201)
Liquid funds at the beginning of the period	2,442	2,396
Liquid funds at the end of the period	356	2,195

Performance of Shareholder's Equity

(for the period from 1st January, 2006, until 30th June, 2007, unaudited)

	Subscribed capital	Capital reserves	Balance-sheet profit / loss	Exchange rate compensation	Total
	k €	k €	k €	k €	k €
As at 1st January, 2006	8,497	19,677	5,749	(80)	33,843
Expenses and income directly attributed to equity				457	457
Result of period			(2,491)		(2,491)
Total group results			(2,491)	457	(1,670)
Stock options granted		16			16
As at 31st December, 2006	8,497	19,693	3,258	377	31,825
Currency translation difference				(194)	(194)
Result of period			(511)		(511)
Total group result			(511)	(194)	(705)
As at 30th June, 2007	8,497	19,693	2,747	183	31,120

Further particulars:

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