

August 13, 2010

Small Cap | Europe | Germany

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target Price: EUR 4.75

Industry: Technology
Country: Germany
WKN: 601100
Reuters: HWSG.DE
Website: www.hoeft-wessel.com

Curr. Price:	3.90
	High Low
Price 52 W.	4.80 3.28
Market Cap. (Mill. EUR)	33.14
No. of Shares (in Mill.)	8.50

Shareholders

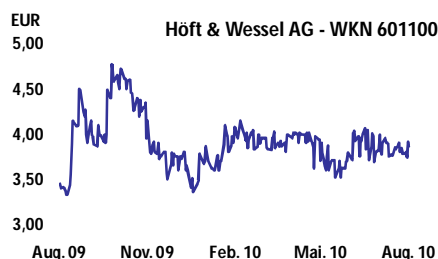
Freefloat	47.88%
H&W Holding GmbH	40.60%
Zollner Elektronik GmbH	10.49%
Rolf Wessel	0.58%
Michael Höft	0.43%
Manfred Zollner	0.02%

Performance

4 Weeks	2.63%
13 Weeks	2.90%
26 Weeks	-4.41%
52 Weeks	13.04%
Curr. Year	3.17%

Dividend

	in EUR	in %
2008	0.00	0%
2009	0.08	37%
2010e	0.09	37%
2011e	0.13	37%



Höft & Wessel AG

Höft & Wessel is on track

- Höft & Wessel's revenue could be raised as expected in the second quarter. Due to temporary effects from evaluations in the hedging activities, the operational results were negative. These effects will be redeemed with payment receipt of the according transactions.
- The segments Almex and Metric were able to achieve pleasant revenues in the first half-year. Although Almex's revenue was below the previous year's, this is to be attributed to an extremely strong first quarter 2009. Metric raised revenue (+35 percent) and operational results (+325 percent) strongly. The "problem child" remains to be Skeye, which reached lower revenues and less EBIT compared to the year-ago period.
- With EUR 3.8mn, cash flow from operations was stronger than in the previous year (EUR -1.6mn). At the same time short term credits amounting to roughly EUR 2mn could be returned.
- Important for future growth is the order intake, which gained 9 percent compared to H1 2009. Order backlog was also higher than during the same period in the prior year.
- We expect a continued increase in revenue and results on an annual basis and have adapted our estimates slightly. The target price is at EUR 4.75, implying an upside potential of 21.7 percent compared to the current price.

EUR m	2008	2009	2010E	2011E	2012E
Revenues	98.07	94.10	97.60	103.50	111.11
EBITDA	9.58	7.57	9.23	10.12	11.23
EBIT	-3.52	3.08	3.53	4.72	5.53
Net Income	-6.67	1.85	1.95	2.94	4.24
EPS	-0.79	0.22	0.23	0.35	0.50
BVPS	2.68	3.00	3.30	3.64	4.20
CFPS	0.18	0.70	0.93	0.89	0.96
RoE	-23.50 %	7.26 %	6.96 %	9.48 %	11.88 %
RoS	-6.80 %	1.97 %	2.00 %	2.84 %	3.82 %
EBIT margin	-3.59 %	3.27 %	3.62 %	4.56 %	4.98 %

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1 Company Profile

Höft & Wessel AG, established in 1978, offers centralized and de-centralized systems for recording and processing data. The company is structured in segments Almex (Ticketing), Skeye (Retail & Logistics) and Metric (Parking). The company's focus rests on service and the development of new products while production is outsourced to external experts. Höft & Wessel thus remains versatile and is able to implement large contracts successfully. In order to assure high quality, Höft & Wessel strictly monitors the outsourcing process, the bulk of which goes to manufacturers in Germany. The company has started to have products manufactured in the Far East, whereby costs are lowered and greater margins can be achieved. Supply of components as well as finishing in the Metric segment takes place at own sites. Research and development are Höft & Wessel's largest division with about 170 employees (equivalent of approximately one third of all staff). In conjunction with direct marketing products are developed to precisely fit customer wishes. The company invests about 10 percent of its sales revenues in research and development every year.

The company with head office in Hannover currently employs 503 staff.

2 Current Development

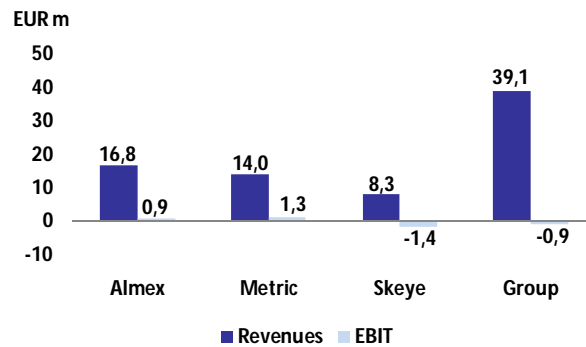
Results of the second quarter remained within expectations. Revenue could be raised slightly to EUR 23.2mn, constituting an increase of 2.5 percent compared to the same quarter in the previous year. Compared to Q1 the increase is as high as 46 percent. The comparatively weak Q1 was also the reason that revenue of EUR 39.1mn for the first half-year was lower than in the prior year (EUR 47.1mn).

Höft & Wessel was again able to achieve positive operational results of EUR 0.7mn, following a negative EBIT of EUR -1.6mn in Q1. EBIT of the first half-year was negative, EUR -0.9mn, which was specifically due to temporary currency translation effects. Currency hedging of orders in Switzerland had to be reevaluated on the call date on 06.30.2010. At this point the Euro had lost value compared to the Swiss Franc, resulting in a lower evaluation, which strained the results. Business processing will be carried out with secured prices, resulting in no currency risk.

Cash flow showed a positive development in the first 6 months. With EUR 3.8mn operating cash flow was significantly higher than in the same period of the previous year (H1 2009: EUR -1.6mn). Short term credits amounting to EUR 2.1mn could be returned. In addition the first-time payment of a dividend led to a cash outflow of EUR 0.7mn.

Incoming orders could also be raised by 9 percent and amounted to EUR 48.1mn in the first half of the year. Order backlog amounted to EUR 83.4mn on the due date. At the end of fiscal year 2009, this value was still at EUR 74.4mn.

Revenue and EBIT in H1 2010 by segment



Source: Company

Almex

The business segment Almex remains an important cash cow for Höft & Wessel. In Q2 the revenue was EUR 10.8mn, 78 percent above the value from Q1. The value for the first half-year of EUR 16.8mn was 37 percent below revenue in the strong year-ago period. Due to the decline in sales as well as temporary reevaluations of hedging activities operating income decreased in H1 to EUR 0.9mn (H1 2009: EUR 2.5mn). With execution of the hedging activities, these evaluation effects will disappear. Operating results in the second quarter were EUR 1.6mn and higher than the year-ago quarter (EUR 1.1mn). This value is significantly higher than that of Q1, where EUR -0.7mn constituted a negative EBIT. Almex continued to gain calls for tender and take new orders with higher volumes than current revenue into the books.

Metric

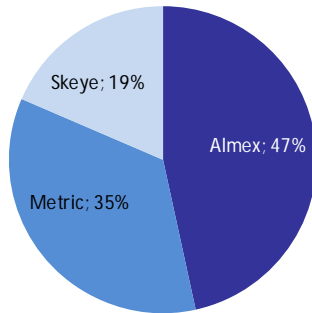
The second business segment of Höft & Wessel that constitutes significantly to revenue and profit is Metric. Metric's revenue could be raised by 35 percent compared to 2009 to EUR 14.0mn. On a quarterly basis revenue could be raised compared to the previous year as well. While in Q2 of the prior year revenues of EUR 5.1mn were achieved, these figures rose to EUR 8.1mn in the second quarter 2010. EBIT was EUR 1.3mn in the first 6 months, whereof the majority (EUR 1.1mn) was achieved in the second quarter. Compared to the previous year the value could be improved significantly both for the half-year (prev. yr: EUR 0.4mn) and for the second quarter (prev. yr: EUR 0.3mn). Just like Almex, the Metric segment gained new orders, especially in Great Britain.

Skeye

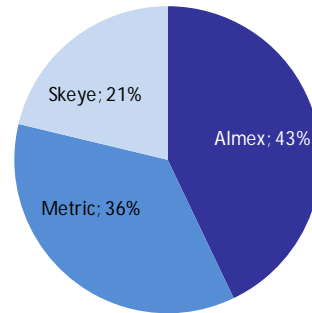
Skeye remains the „problem child“ of Höft & Wessel. The segment had to take losings in revenue and EBIT in the first half of 2010. Revenues were EUR 8.3mn compared to EUR 10.1mn in the prior year. Thereby the second quarter contributed revenues of EUR 4.3mn (Q2 2009: EUR 5.2mn). Operating results were EUR -1.4mn in H1, listing below the previous year's value of EUR -0.8mn. Included in these figures were temporary earnings of EUR 0.4mn from exchange rate hedging, which will balance again with processing of the transactions. The second quarter's EBIT was EUR -0.7mn compared to EUR 0.3mn in the year-ago quarter. In order to come back to growth in the Skeye segment, management hopes to be able to secure orders not only from house-to-house distribution but also from distribution partners.

Almex's stake of total revenues in Q2 increased by 9 percent compared to Q1. Accordingly the two other segments lost. Metric's stake decreased by only 2 percent, while Skeye lost 6 percent of its stake in total revenue in the second quarter. When looking at the first half-year these figures are put into perspective. Almex's gains are less significant and so are the losses of Metric and Skeye.

Revenue Allocation by Segment in Q2



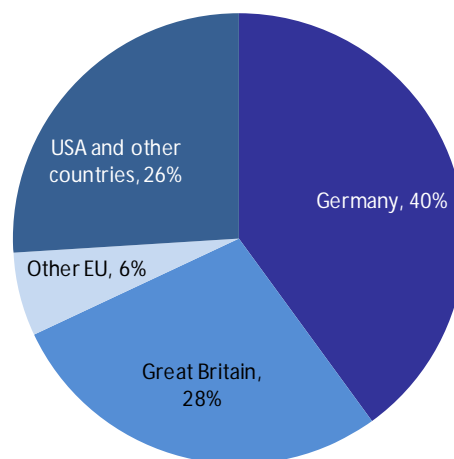
Revenue Allocation by Segment in H1



Source: Company

In the regional allocation of revenues, the region "USA and other countries" continued to gain (+7 percent). Great Britain lost -5 percent. "Germany and other EU" remained on about the same level as in Q1. All in all the allocations remained about the same. Germany continues to be the most important market for Höft & Wessel, followed by the US and UK holding roughly the same proportion of consolidated sales. The other EU countries contribute only a small fraction of less than 10 percent.

Revenue Allocation by Region in H1



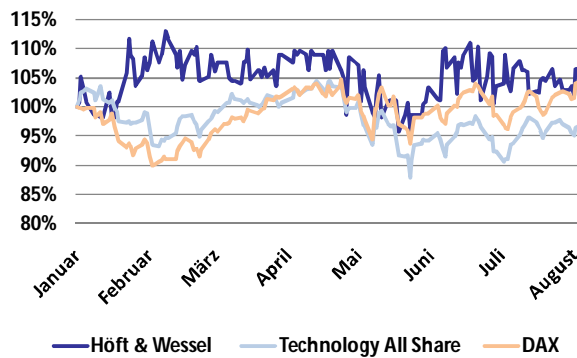
Source: Company

As in Q1 the figures for Q2 lie within the range of our expectations. Revenue as well as results could be increased. This proves true the management's forecast of rising figures over the course of the year. This assumption is affirmed by a rise in order income. We expect Höft & Wessel to equal its revenue and EBIT goals.

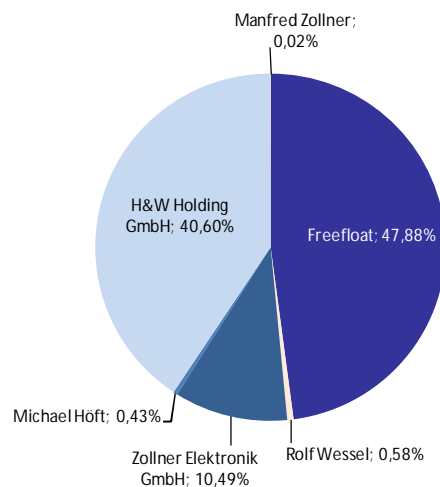
3 Stock

The stock of Höft & Wessel AG shows a better performance since beginning of the year than DAX and Technology All Share Index. Especially in February and March it developed positively, while both indices listed below the value from the beginning of the year. The stock's annual high could be reached in February at EUR 4.15. Following an interim low end of May the stock recovered and listed constantly above the value from the beginning of the year. Currently the stock is listed at EUR 3.90, slightly above the value from early January. The Technology All Share Index however is listed at about 95 percent of reference value.

Stock Price Development 2010

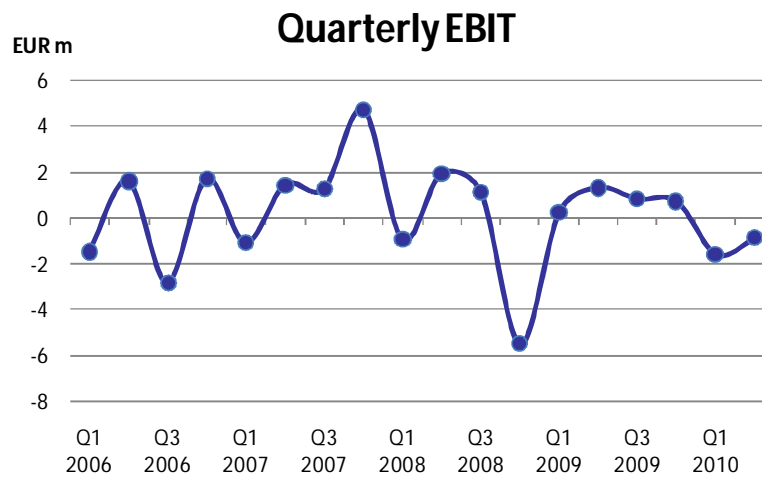
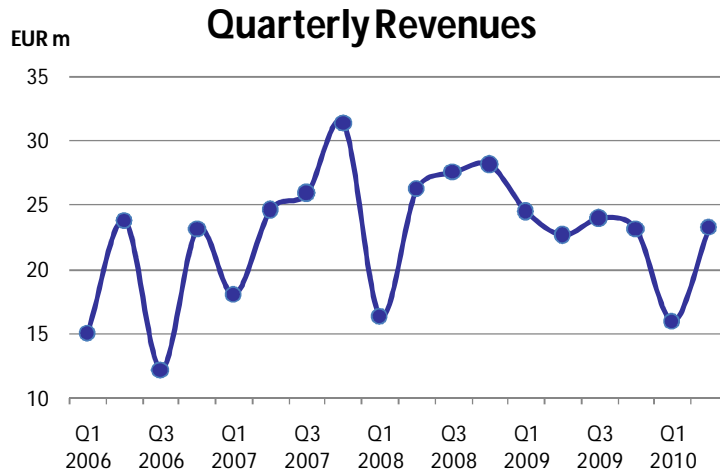


Shareholder Structure



The shareholder structure did not change in the second quarter. Free float remains at roughly 50 percent. Major stockholders continue to make for stability among the shareholders.

4 Quarterly Figures



5 Financials

5.1 Profit & Loss Statements

Profit & Loss							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
<i>Sales revenues</i>	99.7	98.1	94.1	97.6	103.5	111.1	117.1
<i>Inventory changes relating to finished products and work-in-progress</i>	3.4	3.8	-2.7	1.5	0.9	1.1	1.2
<i>Other company-produced additions to plant and equipment</i>	4.8	4.5	3.5	4.1	4.2	3.7	4.2
<i>Other income</i>	1.5	2.1	1.9	2.0	2.0	1.5	1.8
<i>Cost of materials and services produced</i>	-58.9	-60.7	-52.1	-58.3	-61.2	-64.4	-69.9
Gross income	50.5	47.7	44.7	46.9	49.4	53.0	54.3
<i>Personnel expenses</i>	-25.8	-24.8	-24.0	-24.4	-25.9	-28.1	-29.6
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	-5.0	-13.1	-4.5	-5.7	-5.4	-5.7	-5.8
<i>Other expenses</i>	-13.4	-13.4	-13.1	-13.2	-13.4	-13.6	-13.8
Operating result (EBIT)	6.3	-3.5	3.1	3.5	4.7	5.5	5.2
<i>Income from investments</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Financial income</i>	0.0	0.1	0.0	0.0	0.0	0.0	0.0
<i>Financial expenses</i>	-1.5	-1.5	-1.0	-1.1	-1.0	-0.9	-0.8
Earnings before taxes (EBT)	4.8	-5.0	2.1	2.4	3.7	4.6	4.4
<i>Tax position</i>	-0.3	-1.7	-0.2	-0.5	-0.7	-0.9	-0.9
Group earnings	4.5	-6.7	1.9	2.0	3.0	3.7	3.5
<i>Earnings per share (basic) reported</i>	0.52	-0.79	0.22	0.23	0.35	0.44	0.41
<i>Earnings per share (diluted) reported</i>	0.51	-0.79	0.21	0.22	0.34	0.43	0.40
Profit & Loss (Year on Year)							
<i>Sales revenues</i>	34.7%	-1.6%	-4.1%	3.7%	6.0%	7.4%	5.3%
<i>Inventory changes relating to finished products and work-in-progress</i>	16.6%	11.5%	-172.1%	-155.2%	-43.3%	29.3%	4.6%
<i>Other company-produced additions to plant and equipment</i>	16.6%	-6.1%	-21.7%	16.6%	2.4%	-11.9%	13.5%
<i>Other income</i>	-40.0%	39.3%	-10.2%	4.0%	1.1%	-24.0%	20.6%
<i>Cost of materials and services produced</i>	44.3%	3.1%	-14.1%	11.9%	4.9%	5.4%	8.4%
Gross income	18.3%	-5.5%	-6.5%	4.9%	5.3%	7.3%	2.6%
<i>Personnel expenses</i>	0.5%	-4.1%	-3.1%	1.7%	6.0%	8.6%	5.3%
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	6.4%	162.0%	-65.7%	26.9%	-5.3%	5.6%	1.8%
<i>Other expenses</i>	0.0%	0.1%	-2.4%	1.0%	1.0%	2.0%	1.0%
Operating result (EBIT)	-688.8%	-155.9%	-187.4%	14.7%	33.9%	17.1%	-6.8%
<i>Income from investments</i>							
<i>Financial income</i>			-74.0%	-10.0%	-10.0%	-10.0%	-10.0%
<i>Financial expenses</i>	74.4%	0.0%	-32.8%	9.1%	-9.1%	-10.0%	-11.1%
Earnings before taxes (EBT)	-348.7%	-203.5%	-141.9%	17.3%	53.0%	24.3%	-6.0%
<i>Tax position</i>	-46.4%	466.7%	-86.6%	115.0%	53.0%	24.3%	-6.0%
Group earnings	-280.7%	-248.2%	-127.8%	5.3%	53.0%	24.3%	-6.0%
Profit & Loss (% of Revenues)							
<i>Sales revenues</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Inventory changes relating to finished products and work-in-progress</i>	3.4%	3.8%	-2.9%	1.5%	0.8%	1.0%	1.0%
<i>Other company-produced additions to plant and equipment</i>	4.8%	4.6%	3.7%	4.2%	4.1%	3.3%	3.6%
<i>Other income</i>	1.5%	2.1%	2.0%	2.0%	1.9%	1.3%	1.5%
<i>Cost of materials and services produced</i>	-59.0%	-61.9%	-55.4%	-59.7%	-59.1%	-58.0%	-59.7%
Gross income	50.7%	48.7%	47.5%	48.0%	47.7%	47.7%	46.4%
<i>Personnel expenses</i>	-25.9%	-25.2%	-25.5%	-25.0%	-25.0%	-25.3%	-25.3%
<i>Depreciation and amortisation of property, plant and equipment and intangible assets</i>	-5.0%	-13.4%	-4.8%	-5.8%	-5.2%	-5.1%	-5.0%
<i>Other expenses</i>	-13.4%	-13.7%	-13.9%	-13.5%	-12.9%	-12.3%	-11.8%
Operating result (EBIT)	6.3%	-3.6%	3.3%	3.6%	4.6%	5.0%	4.4%
<i>Income from investments</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Financial income</i>	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Financial expenses</i>	-1.5%	-1.5%	-1.1%	-1.1%	-1.0%	-0.8%	-0.7%
Earnings before taxes (EBT)	4.8%	-5.1%	2.2%	2.5%	3.6%	4.2%	3.7%
<i>Tax position</i>	-0.3%	-1.7%	-0.2%	-0.5%	-0.7%	-0.8%	-0.7%
Group earnings	4.5%	-6.8%	2.0%	2.0%	2.9%	3.3%	3.0%

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5.2 Balance Sheet

Balance Sheet							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
Assets							
<u>Current assets</u>							
Inventories	23.7	26.9	26.1	24.0	23.8	24.0	24.4
Trade receivables	16.8	12.4	17.2	18.0	19.0	20.2	21.6
Cash and cash equivalents	1.4	0.7	2.7	4.1	5.0	4.2	2.2
Other assets	3.1	4.5	6.0	6.3	6.7	7.1	7.1
Total current assets	45.0	44.5	51.9	52.4	54.5	55.4	55.3
<u>Non-current assets</u>							
Intangible assets	19.6	10.1	11.0	10.4	10.8	10.6	11.7
Tangible assets	3.9	3.5	3.5	3.1	3.5	3.7	5.2
Deferred tax assets	5.8	4.2	3.8	3.5	3.5	3.2	3.1
Total non-current assets	29.3	17.8	18.3	17.0	17.8	17.5	20.0
Total assets	74.3	62.3	70.3	69.4	72.3	73.0	75.3
<u>Equity</u>							
Subscribed capital	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Capital reserves	19.8	20.0	20.1	20.1	20.1	20.1	20.1
Accumulated retained earnings	7.7	0.9	2.8	4.7	7.7	11.4	14.9
Other equity	-1.3	-6.6	-5.9	-5.2	-5.3	-4.8	-4.2
Total equity	34.7	22.8	25.5	28.1	31.0	35.2	39.3
<u>Non-current liabilities</u>							
Staff related provisions	0.6	0.4	0.7	0.8	0.9	0.9	0.8
Financial leasing liabilities	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Financial liabilities to banks	0.1	0.5	3.6	3.5	3.0	2.2	0.9
Deferred tax liabilities	2.7	3.2	2.7	2.9	2.7	2.0	1.0
Total non-current liabilities	3.7	4.1	6.9	7.2	6.6	5.1	2.7
<u>Current liabilities</u>							
Provisions	2.2	2.3	2.2	2.1	2.2	2.1	2.0
Current income tax liabilities	1.0	0.6	0.6	1.0	0.7	0.7	0.7
Financial leasing liabilities	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Financial liabilities to banks	6.1	12.4	13.0	10.3	10.7	8.9	9.3
Financial liabilities to other lenders	3.6	2.4	0.0	0.0	0.0	0.0	0.0
Trade payables	14.0	9.0	8.4	8.1	8.9	8.8	8.3
Advance payments received	4.1	5.4	9.0	8.2	8.2	8.5	8.8
Personnel-related accrued/deferred liabilities	1.0	0.8	0.9	0.9	0.8	0.9	1.6
Other liabilities	3.7	2.3	3.7	3.3	3.0	2.6	2.5
Total current liabilities	35.9	35.4	37.8	34.1	34.7	32.7	33.3
Total equity and liabilities	74.3	62.3	70.3	69.4	72.3	73.0	75.3

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5.3 Cash Flow Statement

Cash Flow Statement							
Numbers in EUR m	Fiscal Year						
	2007	2008	2009	2010E	2011E	2012E	2013E
EBIT	6.2	-3.5	3.1	3.5	4.7	5.5	5.2
Expenses/income with no impact on payments	0.1	0.2	0.1	0.1	0.2	0.1	0.2
Expenses/gains from income taxes	-0.5	-1.7	-0.2	-0.8	-0.9	-0.7	-0.8
Interest income	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Interest expenses	-1.5	-1.5	-1.0	-1.1	-1.0	-0.9	-0.8
Disbursements/deposits for income tax	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation of fixed assets	5.0	13.1	4.5	5.7	5.4	5.7	5.8
Increase/decrease in provisions	-0.6	-0.1	0.2	0.0	0.2	-0.1	-0.2
Profit/loss from retirement of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in deferred tax assets capitalised	0.0	1.8	0.4	0.3	0.3	0.3	0.3
Increase/decrease in deferred tax liabilities charged	0.0	0.4	-0.5	0.1	0.0	0.1	0.0
Increase/decrease in inventories	-2.5	-4.0	0.8	2.1	0.2	-0.2	-0.4
Increase/decrease in trade receivables	0.7	5.6	-4.3	-0.8	-1.0	-1.2	-1.4
Increase/decrease in other assets	0.1	-1.4	-1.5	-0.3	-0.4	-0.4	0.0
Increase/decrease in current income tax liabilities	0.1	-0.4	0.0	0.4	-0.3	0.0	0.0
Increase/decrease in trade payables	2.6	-6.2	-0.5	-0.3	0.8	-0.1	-0.6
Increase/decrease in down payments	2.8	1.2	3.7	-0.8	0.0	0.3	0.3
Increase/decrease in other liabilities	-0.6	-2.0	1.3	-0.4	-0.3	-0.4	-0.1
Cashflow from current operating activities	12.2	1.5	5.9	7.9	7.9	8.1	7.5
Disbursements for investments in property, plant and equipment	-1.4	-1.5	-1.3	-1.0	-1.3	-1.3	-1.4
Deposits from retirement of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursements for investments in intangible assets	-5.3	-5.2	-3.8	-3.9	-4.3	-4.4	-4.6
Cash flow from investing activities	-6.7	-6.8	-5.0	-4.9	-5.6	-5.7	-5.9
Disbursement for finance leasing	-0.1	-0.3	-0.1	-0.2	-0.2	-0.1	-0.2
Disbursement from dividend payouts	0.0	0.0	0.0	-0.7	-0.7	-1.0	-1.2
Deposits from taking out financial credit facilities	0.0	5.0	3.0	2.0	1.0	0.0	0.0
Disbursements from repaying financial credit facilities	-6.4	0.0	-1.9	-2.7	-1.5	-2.1	-2.1
Cash flow from financing activities	-6.4	4.7	1.0	-1.6	-1.4	-3.2	-3.5
Increase/decrease in liquid funds	-0.9	-0.6	1.9	1.5	0.9	-0.8	-2.0
Cash and cash equivalents at the beginning of the period	2.3	1.4	0.7	2.7	4.1	5.0	4.2
Changes from changes in the basis of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in exchange-rate compensation item	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	1.4	0.7	2.7	4.1	5.0	4.2	2.2

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6 Valuation

6.1 DCF-Model

In order to determine the fair value, we established a three-stage discounted cash flow model and used market data for the peer group companies. All data are based on the consolidated financial statements.

Through discounting the operative free cash flows to the valuation date we accommodated the during the period valuation date. As the valuation date we chose August 1, 2010. As far as non operating assets are concerned, their value was derived separately and added to the present value of the payouts.

Tying in with this, the phase of terminal value follows, for which we calculated with a growth rate of 3% p.a.

/ Discounted Cash Flow-Model (Basis 8/2010)

(EUR m)	<i>Phase 1</i>					
	2010e	2011e	2012e	2013e	2014e	2015e
Revenues	97.6	103.5	111.1	117.1	120.6	124.2
Rate of change	-	6%	7%	5%	3%	3%
EBIT	3.5	4.7	5.5	5.2	5.3	5.4
Rate of change	-	34%	17%	-7%	2%	2%
Margin	3.6%	4.6%	5.0%	4.4%	4.4%	4.3%
Interest and Shareholding Income	-1.1	-1.0	-0.9	-0.8	-1.0	-0.9
EBT	2.4	3.7	4.6	4.4	4.3	5.2
Operational tax expenses	-0.5	-0.7	-0.9	-0.9	-1.4	-1.7
Effective Tax Rate (ex. Interest Income)	20.1%	20.1%	20.0%	20.0%	32.5%	32.5%
Depreciation and Amortization	5.7	5.4	5.7	5.8	6.4	6.4
Depreciation Ratio (%Revenues)	5.8%	5.2%	5.1%	5.0%	5.3%	5.2%
Changes in long-term provisions	0.0	0.0	0.0	0.3	0.3	0.3
Proportion of Revenues	-	-	-	0.3%	0.2%	0.2%
Cash Flow -Business needs (change WC)	0.3	-0.5	-1.3	-2.1	-0.6	-0.5
Working-Capital-Ratio (%Revenues)	0.3%	-0.5%	-12%	-18%	-0.5%	-0.4%
Investments into fixed assets	-4.9	-5.6	-5.7	-5.9	-5.6	-5.9
Investments ratio (%Revenues)	-5.0%	-5.4%	-5.2%	-5.1%	-4.7%	-4.7%
Other	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash-Flow	3.0	2.3	2.4	1.5	3.3	3.9

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6.2 WACC

The discount rate was calculated by deriving the weighted cost of capital. We assume that the target capital structure will not change in the subsequent business years.

WACC Assumptions

Growth Propositions

Long-Term growth rate / Inflation	3.0%
Assimilation Phase (from 2015)	5 years
Revenue growth in the beginning	1.0%
Margin development (p.a.)	+1 BP

Equity Cost

Long-Term risk-free rate	3.8%
Market Risk Premium	5.0%
Beta of the Company / Approximation	1.34

Equity Cost 10.5%

Debt Cost

Debt Cost (before tax)	7.0%
Tax rate on Debt interest	30.0%

Debt Cost (after tax) 4.9%

Equity Value	34
Market Value of net debt	45
Gearing (Market Values)	131.6%
WACC	7.32%

Adjustments for debt to current interest were not made. Risk free profitability is based on the average profitability of the 30-year bond.

Figuring a risk prime follows the capital asset pricing model (CAPM) and covers in particular the systemic risks (market risk prime esp. company specific risk). The beta value we used to identify the company specific risk is based on the performance of the reference index DAX.

6.3 Fair Value – Sensitivities

Our derived fair value per share amounts to EUR 4,75. This implies an upside potential of 21.7 % to the current share price (EUR 3.90). The modification of the action parameter in terminal value is shown below in the sensitivity analysis. It shows variance in our derived fair value in variant scenarios.

Sensitivity analysis		Fair value per share				
(EUR)		Discount rate				
$\beta = 1.34$		6.82%	7.07%	7.32%	7.57%	7.82%
Growth	2.0%	4.72	4.41	4.13	3.88	3.65
	2.5%	5.08	4.73	4.41	4.12	3.86
	3.0%	5.54	5.12	4.75	4.41	4.11
	3.5%	6.14	5.62	5.17	4.78	4.43
	4.0%	6.94	6.29	5.73	5.25	4.83

Sensitivity analysis		Market capitalization				
(EUR m)		Discount rate				
$\beta = 1.34$		6.82%	7.07%	7.32%	7.57%	7.82%
Growth	2.0%	40.13	37.50	35.13	32.97	30.99
	2.5%	43.21	40.18	37.46	35.01	32.79
	3.0%	47.09	43.51	40.33	37.50	34.96
	3.5%	52.15	47.77	43.96	40.61	37.64
	4.0%	59.01	53.42	48.67	44.58	41.02

6.4 Peer Group Analysis

The rating for Höft & Wessel derived from our DCF model was subjected to a plausibility test by means of a peer group analysis. We preferably selected companies for this, which are specialized in data recording or manufacture of cash registers/scanner systems for retail. Multiples approaches are based on a comparative view, in that suitable multiples are adopted for the company to be rated from capital market data and financial reporting of stock exchange listed comparative companies.

Initial data from comparative companies (indicated in the respective country currency) originate from information service provider Reuters.

Multiples - Peer Group								
Peer Group	EV/EBITDA		EV/EBIT		P/E		EBIT-Margin	P/B Ratio
	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2010E
Clarity Commerce Solutions plc	5.57	3.91	6.90	4.02	0.07	0.06	0.09	1.43
Cognex Corporation	10.35	8.93	11.88	10.13	20.25	17.16	0.21	2.04
DATALOGIC SpA	7.06	6.17	10.06	8.31	16.88	12.66	0.09	1.91
init innovation in traffic systems AG	7.62	6.91	8.76	7.85	12.82	11.85	0.20	3.61
Intermec Inc.	14.93	7.17	81.84	9.17	99.18	22.73	0.01	1.37
Metrologic Group SA	6.49	5.99	6.74	6.15	16.68	15.33	0.41	2.02
Microvision, Inc.	n.a.	n.a.	neg.	neg.	neg.	neg.	neg.	5.97
NCR Corporation	6.28	5.12	10.11	7.97	14.61	11.47	0.04	3.93
Psion plc	5.48	4.14	7.51	5.81	0.19	0.14	0.05	0.65
Unitech Limited	12.44	8.46	12.96	8.38	19.82	13.05	0.38	-
Zebra Technologies Corp.	8.91	8.17	11.73	10.05	17.79	15.84	0.13	2.24
Median	7.34	6.54	10.08	8.14	16.78	12.85	0.11	2.03
Höft & Wessel AG	5.09	4.45	12.79	9.30	15.20	10.27	3.70	1.27
Discount (-)/Premium (+)	-30.71	-31.96	26.82	14.19	-9.39	-20.08		-37.44
Valuation Range	2.78 EUR to 5.22 EUR							

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