May 24, 2011

Small Cap | **Europe** | **Germany**

DR. KALLIWODA
RESEARCH GmbH

Company Analysis

DR. KALLIWODA | RESEARCH GmbH

Equity Research

Update

Buy

Target Price: 4.81 EUR

Höft & Wessel AG

Strong increase in sales revenues for Almex and Skeye in Q1

Overview

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

Current Price:		4,03
	High	**Low**
Price 52W.:	4,30	3,49
Market Cap. (Mill. EUR)		34,2
No. Of Shares (in Mill.)		8,5

Main Shareholders

Float	47,88%
H & W Holding GmbH	40,60%
Zollner Elektronik AG	10,49%

Performance

4 Weeks	2,3%
13 Weeks	2,3%
26 Weeks	-2,9%
52 Weeks	6,3%
YTD	3,7%

Dividend

	EUR/Share	**in %**
2009	-	0,00
2010	0,08	36,68%
2011e	0,10	25,00%
2012e	0,05	25,00%
2013e	0,05	25,00%

■ In the first quarter of the fiscal year 2011, Höft & Wessel AG earned 20.8mn Euros in sales and thus 30.6% more compared to the previous year period (15.9mn Euros). The rise in turnover was due to the segments Almex and Skeye, which improved their returns by respectively 70% and 30%. The above-average development of the business segment Skeye was also the reason why a rise in sales volume from 1.6% to 95.6mn Euros was reported in fiscal 2011 and this despite bottlenecks in the supply of electronic components.

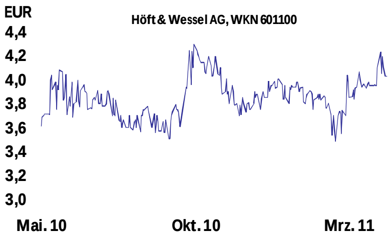
■ In Q1 2011 Höft & Wessel AG improved its EBIT from -1.6mn Euros in the previous year to -0.4mn Euros. Due to the cash settlement effect in the amount of 0.2mn Euros, which was based on currency futures transactions in Swiss Francs, the adjusted EBIT was -0.6mn Euros. An unadjusted EBIT of 2.9mn Euros was earned in fiscal 2010 (-5.1% compared to the previous year).

■ The strongest growth in sales was reported by the segment Almex for Q1 2011 with 70%. Reasons were the numerous contracts, among them from the S-Bahn (subway) of Berlin, Deutsche Bahn, the Danish state railway and the transport operators of Geneva. The segment Almex improved its EBIT from -0.7mn to 1mn Euros. Despite an improvement in sales by 30%, the segment Skeye earned a negative EBIT of nearly 1mn Euros (prev. yr.: -0.7mn Euros). At -8.4% in turnover or -74.6% in EBIT, the segment Metric performed weaker than in Q1 2010.

■ Due to a clearly stronger working capital, the operative cash flow decreased from 0.5mn Euros in Q1 2010 to -4.1mn Euros. Compared to the year before, new orders declined by 25.3% to 18.9mn Euros. Existing orders at the end of March 2011 valued 60mn Euros.

■ In Q1 2011 the net result was -0.8mn Euros following -2mn Euros in the previous year. In fiscal 2010 it amounted 3.4mn Euros and topped our forecast because of a tax refund. Against the background of the guidance published by the company for the fiscal year 2011 (turnover >96mn Euros, EBIT >3mn Euros), we have slightly lowered our forecasts for the next years. In the long term however we expect EBIT margins of more than 8%, therefore our price target changes from 4.75 Euros to 4.81 Euros. The rating continues to be "Buy".

52-Weeks Performance



Key Values

EUR m	2009	2010	2011e	2012e	2013e
Revenues	94,1	95,6	98,2	103,9	109,6
EBITDA	7,57	8,05	8,36	8,75	9,71
EBIT	3,08	2,92	3,14	3,28	3,99
Net Income	1,85	3,39	1,65	1,79	2,34
EPS	0,22	0,40	0,19	0,21	0,27
BVPS	3,00	3,33	3,44	3,61	3,83
CFPS	0,70	1,16	0,69	0,75	0,77
RoE	7%	12%	6%	6%	7%
RoS	2%	4%	2%	2%	2%
EBIT margin	3%	3%	3%	3%	4%

Analyst

Dr. Norbert Kalliwoda
nk@kalliwoda.com

Phone: +49 69 97 20 58 53
www.kalliwoda.com

Contents

1. Business Development

Sales improved at Höft & Wessel AG from 15.9mn Euros to 20.8mn Euros. The largest part of sales (44%) was contributed by customers from Germany. With a share of 25%, Great Britain was the second most important market for the company. The other EU countries accounted for 20%, the USA and other countries for 11% of overall sales. Although the share of manufacturing costs in the turnover for Q1 increased from 44.9% to 62.4%, the loss in EBIT could be clearly reduced by way of efficiency improvements in the costs of personnel (from 38.9 to 31.0% of the turnover) and other expenses (from 22.3 to 17.2% of the turnover).

In Q1 2010 Höft & Wessel AG reported a rise in sales from 94.1mn Euros to 95.6mn Euros. Earnings before interest and taxes (EBIT) for the same period fell by 5.1% to 2.9mn Euros, which was mostly caused by losses specific to the due date and which were related to currency collateralizations. Because Switzerland is an important market, Höft & Wessel AG collateralizes the resulting currency risks with currency futures. In consequence of the currency development of the Swiss Franc compared to the Euro, a loss was reported in fiscal 2010, amounting to 0.9mn Euros. In Q1 2011, the corresponding profit was at 0.2mn Euros.

Significant factors with negative effect on the business results of Höft & Wessel AG were the supply bottlenecks in electronics components during the first nine months of fiscal 2010. These occurred because producers had reduced their stockpiles over the course of the economic crisis. In consequence of the supply problems with components, Höft & Wessel had to postpone a major part of deliveries from the third to the fourth quarter, whereby the turnover with 9mn turned out to be lower by 15% than in the previous year. This is an extraordinary effect, which cannot be expected again in the near-term future.

On basis of the decline in net debt compared to the previous year (11.2mn Euros vs. 14.3mn Euros in fiscal 2009) the financial result of fiscal 2010 improved from -1mn Euros to -0.9mn Euros. Combined with tax earnings of 1.4mn Euros caused by the dissolution of latent taxes, this led to an increase of the net result from 1.9mn Euros to 3.4mn Euros. In Q1 2011, the increase of net debt to 16.7mn Euros entailed a slightly greater expense for interest compared to the year before. In consequence of the strong improvement of the operative result, however, the net loss reduced from 2mn Euros to 0.8mn Euros.

In new orders, Höft & Wessel AG reported a plus of 3% reaching 83mn Euros in fiscal 2010. In Q1 2011 in contrast, a decline of 25.3% to 18.9mn Euros was reported. Existing orders at the end of March 2011 valuing 60mn originated from orders from Germany in a share of 44%. Customers from the USA, Great Britain and the other EU countries contributed respectively 28%, 18% and 10%.

Due to the high operative cash flow of 7.8mn Euros in fiscal 2010 and the positive development in the group's surplus, the management has decided to propose a dividend higher by 25% or 0.10 Euros in the course of the general meeting. On the current stock price level, this would be equivalent of a 2.5% dividend yield. In our view the stock is therefore also interesting for conservative investors.

2. Segments

2.1 Almex - ticketing

In the segment of ticketing systems and e-ticket solutions for public passenger transport Höft & Wessel AG by now is among the leading providers in Europe. For check-in machines it is one of few suppliers worldwide. Since 2010 the company has moreover offered communications solutions for shunting and construction operations.

With 50mn Euros in fiscal 2010, the turnover of the business segment Almex was slightly below the level of the previous year (50.7mn Euros). At the same time however, Almex considerably improved its operative result (EBIT) by 52.4% to 6.4mn Euros indicating a strong positioning of the business segment in the market. In Q1 2011, both sales (+70% to 10.2mn Euros) as well as the EBIT (1mn Euros vs. -0.7mn Euros in Q1 2010) developed very positively.

In the past few months, several new contracts could be obtained. Höft & Wessel is among other developing new e-ticketing solutions for delivery to German, Spanish and British transport operators. In the field of telematics systems, orders from two German regional transport companies could be acquired. Moreover, for the first time the company received a large order for a GSM rail communications solution from the Swiss Federal Railway.

2.2 Metric - parking

In fiscal 2010 the business segment Metric generated sales revenues in the amount of 23.4mn Euros, which is equivalent to an increase of 3.5% compared to the previous year. The turnover was positively influenced by the price development of the British Pound. On the EBIT level, a result of 1.4mn was achieved, which was nearly on the same level as in the previous year (1.3mn Euros). The subsidiary could improve its result in fiscal 2010, although the British municipalities invested significantly less due to the passage of the austerity program by the government.

From our perspective, this clearly shows the strength of Metric in the domestic market of Great Britain. Another factor with positive effect on the result in fiscal 2010 was the installation of 1000 parking ticket machines in Philadelphia. In Q1 2011 Metric reported a slight decline of 5.9mn Euros to 5.4mn in sales, which is among other factors due to the circumstance that a large project from the USA was completed extremely well, whereas a comparable event has not materialized again. The EBIT reduced from 0.2mn to 0.1mn Euros.

In recent months, Metric was in the position to acquire numerous new contracts. These mostly originate from Great Britain. Additionally, contracts in Malaysia and for the first time in Australia as well as in Canada could be secured. Acquired as a new customer was also the city of Norristown in Pennsylvania, USA.

In the short term, Höft & Wessel expects more contracts on basis of new product offers, such as contact-free payment or payment by mobile phone. Plus, the company has included the offer of used vending machines, specifically for highly indebted British municipalities and is also offering its products as leases since recently.

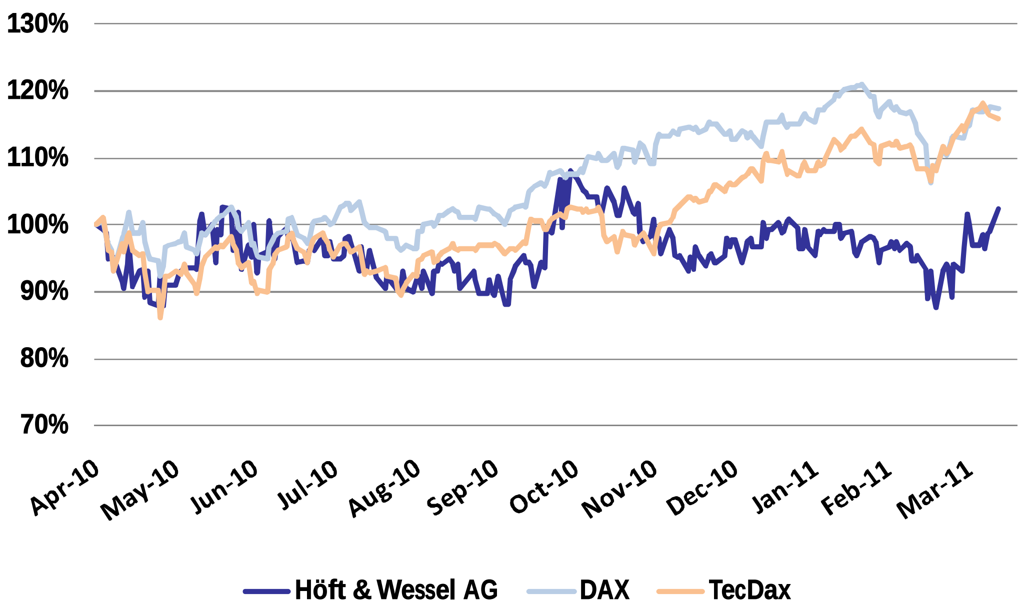
2.3 Skeye – mobile solutions

In the business segment Skeye, which produces mobile terminals for retailers for purposes of data collection in storages for example, the turnover in fiscal 2010 could be improved by 6% to 22.1mn Euros. The EBIT amounted -3.3mn Euros, thus lower by 2mn compared to fiscal 2009. Reasons for this was intense competition following market weakness in the worldwide auto-ID industry during the fiscal year of 2010, as well as greater depreciations of own services on the asset side. In Q1 2011, Skeye's sales rose by 30% to 5.2mn Euros. Because of depreciations on asset-side own services as well as on basis of currency effects, the EBIT was however reported at a decline of 0.3mn Euros arriving at nearly -1mn Euros.

Skeye's order book remains filled. In the past months the business segment received follow-up contracts from Edeka, Rewe and Warok. Skeye is hoping for additional orders from the expansion of the partnership distribution in Eastern Europe, the Benelux countries and the Near East. For the fiscal year of 2011, Skeye is expecting a clearly better, but still slightly negative result. According to information from the company, the auto-ID segment is already seeing an improvement in the situation and it will continue over the next months.

3. Share

Since our last update, Höft & Wessel AG stock has performed weaker than the DAX and the Technology All Share Index. Main reason for this in our opinion was the relatively weak 9M results for 2010. After a high of 4.18 Euros, which was achieved on 8 November 2010, the stock price showed a negative tendency until mid-March 2011, before it later turned out at 3.49 Euros in the course of the general market correction. On 5 May 2011 the stock of Höft & Wessel AG was listed at 4.03 Euros.



4. Perspective

It is our opinion that the results of Höft & Wessel will improved on basis of the following factors over the next years:

(1) One big problem was the supply bottleneck for electronic components in the fiscal year 2010, because of which the 9M results turned out very weak. Höft & Wessel has intensified contacts to its suppliers over the last months, in the course of which a representation was opened in Taiwan. This should contribute to a situation as in the previous year not repeating any time soon again.

(2) For the first time, contracts from Australia and Canada could be obtained in fiscal 2010. This is strong evidence for Höft & Wessel AG being on the road to become a global player.

(3) In the segment Almex, Höft & Wessel AG has the possibility to obtain a large contract for a communications solution based on the GSM-standard for shunting and construction operations, and which was only introduced to the market by the company as recent as in the year 2010. Further orders could follow from this.

(4) The British subsidiary Metric will probably profit in the next few years from new products, such as ticket machines allowing for contact-free payment and payment by mobile phone. With the introduction of the leasing option, Metric should moreover be in the position to acquire more customers for its products.

(5) In the segment Skeye, Höft & Wessel is expecting additional impulses in the short term from the emergent recovery in the field of auto-ID as well as from the expansion of the partnership distribution in Eastern Europe, the Benelux countries and the Near East. This segment should therefore soon earn operative profits.

5. Financials

5.1 Profit & Loss Statements

Profit & Loss - Höft & Wessel

	Fiscal Year							
Numbers in EUR m	**2008**	**2009**	**2010**	**2011e**	**2012e**	**2013e**	**2014e**	**2015e**
Sales revenues	98,1	94,1	95,6	98,2	103,9	109,6	115,1	120,1
Inventory changes relating to finished products and work-in-progress	3,8	-2,7	0,3	0,8	0,3	1,7	1,6	1,2
Other company-produced additions to plant and equipment	4,5	3,5	3,4	2,9	3,7	3,5	3,8	4,0
Other income	2,1	1,9	1,1	1,2	1,2	1,3	1,4	1,4
Cost of materials and services produced	-60,7	-52,1	-53,4	-55,0	-58,7	-62,3	-65,6	-68,2
Gross income	**47,7**	**44,7**	**46,9**	**48,1**	**50,4**	**53,8**	**56,3**	**58,6**
Personnel expenses	-24,8	-24,0	-25,1	-25,7	-27,0	-28,6	-29,9	-31,1
Depreciation and amortisation of property, plant and equipment and intangible assets	-13,1	-4,5	-5,1	-5,2	-5,5	-5,7	-5,9	-6,1
Other expenses	-13,4	-13,1	-13,7	-14,0	-14,7	-15,5	-16,3	-17,0
Operating result (EBIT)	-3,5	3,1	2,9	3,1	3,3	4,0	4,2	4,4
Income from investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial income	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial expenses	-1,5	-1,0	-0,9	-0,8	-0,7	-0,7	-0,6	-0,5
Earnings before taxes (EBT)	**-5,0**	**2,1**	**2,0**	**2,4**	**2,6**	**3,3**	**3,6**	**3,9**
Tax position	-1,7	-0,2	1,4	-0,7	-0,8	-1,0	-1,1	-1,2
Group earnings	**-6,7**	**1,9**	**3,4**	**1,7**	**1,8**	**2,3**	**2,5**	**2,7**
Earnings per share (basic) reported	-0,79	0,22	0,40	0,19	0,21	0,27	0,30	0,32
Earnings per share (diluted) reported	-0,79	0,21	0,39	0,18	0,20	0,26	0,29	0,31
Profit & Loss (Year on Year)								
Sales revenues	-1,6%	-4,1%	1,6%	2,7%	5,8%	5,5%	5,0%	4,3%
Inventory changes relating to finished products and work-in-progress	11,5%	-172,1%	-109,2%	211,0%	-66,4%	540,3%	-6,2%	-21,5%
Other company-produced additions to plant and equipment	-6,1%	-21,7%	-2,9%	-13,7%	27,0%	-7,7%	10,0%	4,3%
Other income	39,3%	-10,2%	-40,0%	2,7%	5,8%	5,5%	5,0%	4,3%
Cost of materials and services produced	3,1%	-14,1%	2,5%	2,9%	6,8%	6,0%	5,3%	4,0%
Gross income	**-5,5%**	**-6,5%**	**5,1%**	**2,5%**	**4,9%**	**6,6%**	**4,7%**	**4,0%**
Personnel expenses	-4,1%	-3,1%	4,7%	2,4%	4,9%	5,9%	4,6%	3,9%
Depreciation and amortisation of property, plant and equipment and intangible assets	162,0%	-65,7%	14,1%	1,8%	4,8%	4,5%	4,0%	3,3%
Other expenses	0,1%	-2,4%	5,0%	1,9%	5,0%	5,4%	5,0%	4,3%
Operating result (EBIT)	**-155,9%**	**-187,4%**	**-5,0%**	**7,5%**	**4,5%**	**21,6%**	**5,0%**	**5,0%**
Income from investments								
Financial income		-74,0%	-84,6%	2,7%	5,8%	5,5%	5,0%	4,3%
Financial expenses	0,0%	-32,8%	-8,8%	-14,5%	-7,4%	-9,6%	-12,5%	-16,5%
Earnings before taxes (EBT)	**-203,5%**	**-141,9%**	**-3,7%**	**17,6%**	**8,5%**	**30,5%**	**8,4%**	**8,4%**
Tax position	466,7%	-86,6%	-710,6%	-151,1%	8,5%	30,5%	8,4%	8,4%
Group earnings	**-248,2%**	**-127,8%**	**82,9%**	**-51,3%**	**8,5%**	**30,5%**	**8,4%**	**8,4%**
Profit & Loss (% of Revenues)								
Sales revenues	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	105,0%	109,6%
Inventory changes relating to finished products and work-in-progress	3,8%	-2,9%	0,3%	0,8%	0,3%	1,7%	1,6%	1,3%
Other company-produced additions to plant and equipment	4,6%	3,7%	3,6%	3,0%	3,6%	3,2%	3,3%	3,3%
Other income	2,1%	2,0%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%
Cost of materials and services produced	-61,9%	-55,4%	-55,9%	-56,0%	-56,5%	-56,8%	-57,0%	-56,8%
Gross income	**48,7%**	**47,5%**	**49,1%**	**49,0%**	**51,4%**	**54,8%**	**57,3%**	**59,6%**
Personnel expenses	-25,2%	-25,5%	-26,3%	-26,2%	-26,0%	-26,1%	-26,0%	-25,9%
Depreciation and amortisation of property, plant and equipment and intangible assets	-13,4%	-4,8%	-5,4%	-5,3%	-5,3%	-5,2%	-5,2%	-5,1%
Other expenses	-13,7%	-13,9%	-14,4%	-14,3%	-14,1%	-14,1%	-14,1%	-14,1%
Operating result (EBIT)	**-3,6%**	**3,3%**	**3,1%**	**3,2%**	**3,3%**	**4,1%**	**4,3%**	**4,5%**
Income from investments	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial income	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial expenses	-1,5%	-1,1%	-1,0%	-0,8%	-0,7%	-0,6%	-0,5%	-0,4%
Earnings before taxes (EBT)	**-5,1%**	**2,2%**	**2,1%**	**2,5%**	**2,7%**	**3,5%**	**3,8%**	**4,1%**
Tax position	-1,7%	-0,2%	1,5%	-0,6%	-0,7%	-1,0%	-1,0%	-1,0%
Group earnings	**-6,8%**	**2,0%**	**3,5%**	**1,7%**	**1,9%**	**2,4%**	**2,7%**	**2,9%**

Company Analysis

DR. KALLIWODA | RESEARCH GmbH

Equity Research

5.2 Balance Sheet

Balance Sheet - Höft & Wessel								
	Fiscal Year							
Numbers in EUR m	2008	2009	2010	2011e	2012e	2013e	2014e	2015e
Assets								
Current assets								
Inventories	26,9	26,1	26,8	27,5	27,8	29,5	31,0	32,3
Trade recievables	12,4	17,2	19,5	19,7	20,9	22,0	23,1	24,1
Cash and cash equivalents	0,7	2,7	4,5	0,2	0,6	0,8	1,0	3,2
Other assets	4,5	6,0	4,4	5,0	5,0	5,2	5,4	5,0
Total current assets	**44,5**	**51,9**	**55,2**	**52,5**	**54,2**	**57,5**	**60,6**	**64,6**
Non-current assets								
Intangible assets	10,1	11,0	11,2	11,4	11,5	11,7	11,8	11,9
Tangible assets	3,5	3,5	3,5	3,6	3,6	3,6	3,7	3,7
Deferred tax assets	4,2	3,8	3,0	2,5	1,9	1,2	0,5	0,0
Total non-current assets	**17,8**	**18,3**	**17,7**	**17,4**	**17,1**	**16,5**	**15,9**	**15,6**
Total assets	**62,3**	**70,3**	**72,8**	**69,9**	**71,3**	**74,0**	**76,5**	**80,2**
Equity								
Subscribed capital	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5
Capital reserves	20,0	20,1	20,2	20,2	20,2	20,2	20,2	20,2
Accumulated retained earnings	0,9	2,8	5,5	5,5	5,5	5,5	5,5	5,5
Other equity	-6,6	-5,9	-5,8	-4,9	-3,5	-1,6	0,4	2,5
Total equity	**22,8**	**25,5**	**28,3**	**29,3**	**30,6**	**32,5**	**34,5**	**36,6**
Non-current liabilities								
Staff related provisions	0,4	0,7	0,9	1,0	1,1	1,3	1,6	2,1
Financial leasing liabilities	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial liabilities to banks	0,5	3,6	5,1	3,2	3,4	3,1	2,8	2,6
Deferred tax liabilities	3,2	2,7	0,0	0,0	0,0	0,0	0,0	0,0
Total non-current liabilities	**4,1**	**6,9**	**6,1**	**4,2**	**4,5**	**4,4**	**4,4**	**4,7**
Current liabilities								
Provisions	2,3	2,2	3,0	2,8	2,0	2,0	2,0	3,0
Current income tax liabilities	0,6	0,6	0,7	0,7	0,7	0,7	0,7	0,6
Financial leasing liabilities	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1
Financial liabilities to banks	12,4	13,0	11,9	10,0	9,8	10,1	10,1	9,9
Financial liabilities to other lenders	2,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Trade payables	9,0	8,4	12,7	13,0	13,9	14,8	15,6	16,2
Advance payments received	5,4	9,0	5,2	5,0	4,8	4,6	4,4	4,3
Personnel-related accrued/deferred liabilities	0,8	0,9	1,0	0,9	0,8	0,7	0,6	0,5
Other liabilities	2,3	3,7	3,7	3,9	4,0	4,1	4,2	4,3
Total current liabilities	**35,4**	**37,8**	**38,4**	**36,5**	**36,1**	**37,0**	**37,6**	**38,9**
Total equity and liabilities	**62,3**	**70,3**	**72,8**	**69,9**	**71,3**	**74,0**	**76,5**	**80,2**

Dr. Kalliwoda | Research © 2011

5.3 Cash Flow Statement

Cash Flow Statement - Höft & Wessel

	Fiscal Year							
Numbers in EUR m	**2008**	**2009**	**2010**	**2011e**	**2012e**	**2013e**	**2014e**	**2015e**
EBIT	**-3,5**	**3,1**	**2,9**	**3,1**	**3,3**	**4,0**	**4,2**	**4,4**
Expenses/income with no impact on payments	0,2	0,1	-0,8	0,0	0,0	0,0	0,0	0,0
Expenses/gains from income taxes	-1,7	-0,2	1,4	-0,7	-0,8	-1,0	-1,1	-1,2
Interest income	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Interest expenses	-1,5	-1,0	-0,9	-0,8	-0,7	-0,7	-0,6	-0,5
Disbursements/deposits for income tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Depreciation of fixed assets	13,1	4,5	5,1	5,2	5,5	5,7	5,9	6,1
Increase/decrease in provisions	-0,1	0,2	1,2	-0,2	-0,7	0,2	0,3	1,5
Profit/loss from retirement of fixed assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Increase/decrease in deferred tax assets capitalised	1,6	0,4	0,8	0,5	0,5	0,7	0,8	0,5
Increase/decrease in deferred tax liabilities charged	0,5	-0,5	-2,7	0,0	0,0	0,0	0,0	0,0
Increase/decrease in inventories	-4,0	0,8	-0,5	-0,8	-0,3	-1,7	-1,6	-1,2
Increase/decrease in trade recievables	5,6	-4,3	-1,5	-0,3	-1,2	-1,1	-1,1	-1,0
Increase/decrease in other assets	-1,4	-1,5	0,0	-0,6	0,0	-0,2	-0,2	0,4
Increase/decrease in current income tax liabilities	-0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Increase/decrease in trade payables	-6,2	-0,5	2,9	0,4	0,9	0,8	0,8	0,6
Increase/decrease in down payments	1,2	3,7	0,0	-0,2	-0,2	-0,2	-0,2	-0,1
Increase/decrease in other liabilities	-2,0	1,3	1,8	0,1	0,0	0,0	0,0	0,0
Cashflow from current operating activities	**1,4**	**5,9**	**9,9**	**5,8**	**6,4**	**6,5**	**7,2**	**9,5**
Disbursements for investments in property, plant and equipment	-1,5	-1,3	-1,3	-1,3	-1,4	-1,5	-1,5	-1,6
Deposits from retirement of fixed assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Disbursements for investments in intangible assets	-5,2	-3,8	-3,9	-4,1	-4,2	-4,4	-4,6	-4,7
Cash flow from investing activities	**-6,8**	**-5,0**	**-5,2**	**-5,5**	**-5,6**	**-5,9**	**-6,1**	**-6,3**
Disbursement for finance leasing	-0,3	-0,1	-0,1	0,0	0,0	0,0	0,0	0,0
Disbursement from dividend payouts	0,0	0,0	-0,7	-0,8	-0,4	-0,4	-0,6	-0,6
Deposits from taking out financial credit facilities	5,0	3,0	1,0	0,0	0,0	0,0	0,0	0,0
Disbursements from repaying financial credit facilities	0,0	-1,9	-1,0	-3,9	0,0	0,0	-0,3	-0,4
Cash flow from financing activities	**4,7**	**1,0**	**-0,8**	**-4,6**	**-0,4**	**-0,4**	**-0,9**	**-1,0**
Increase/decrease in liquid funds	**-0,6**	**1,9**	**3,9**	**-4,3**	**0,3**	**0,2**	**0,3**	**2,2**
Cash and cash equivalents at the beginning of the period	1,4	0,7	2,7	4,5	0,2	0,6	0,8	1,0
Changes from changes in the basis of consolidation	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Changes in exchange-rate compensation item	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents at the end of the period	**0,7**	**2,6**	**6,5**	**0,2**	**0,6**	**0,8**	**1,0**	**3,2**

Dr. Kalliwoda | Research © 2011

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 May 1, 2011. 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 5/2011)

	Phase 1					
(EUR m)	2011e	2012e	2013e	2014e	2015e	2016e
Revenues	**98,2**	**103,9**	**109,6**	**115,1**	**120,1**	**124,8**
Rate of change	3%	6%	5%	5%	4%	4%
EBIT	**3,1**	**3,3**	**4,0**	**4,2**	**4,4**	**4,9**
Rate of change	8%	5%	22%	5%	5%	11%
Margin	3,2%	3,2%	3,6%	3,6%	3,7%	3,9%
Interest and Shareholding Incom	0,0	0,0	0,0	0,0	0,0	0,0
EBT	**3,1**	**3,3**	**4,0**	**4,2**	**4,4**	**5,2**
Operational tax expenses	-0,7	-0,8	-1,0	-1,1	-1,2	-1,4
Effective Tax Rate (ex. Interest Inco	22,5%	23,4%	25,1%	25,9%	26,7%	26,0%
Depreciation and Amortization	5,2	5,5	5,7	5,9	6,1	6,3
Depreciation Ratio (% Revenues)	5,3%	5,3%	5,2%	5,2%	5,1%	5,1%
Changes in long-term provisions	0,1	0,1	0,2	0,3	0,5	0,5
Proportion of Revenues	0,1%	0,1%	0,1%	0,3%	0,4%	0,4%
Cash Flow -Business needs (ch	-1,4	-0,7	-2,4	-2,3	-1,4	-0,4
Working-Capital-Ratio (% Revenues	-1,4%	-0,7%	-2,2%	-2,0%	-1,1%	-0,3%
Investments into fixed assets	-5,5	-5,6	-5,9	-6,1	-6,3	-6,5
Investments ratio (% Revenues)	-5,6%	-5,4%	-5,4%	-5,3%	-5,2%	-5,2%
Other	0,0	0,0	0,0	0,0	0,0	0,0
Free Cash-Flow	**0,9**	**1,7**	**0,6**	**0,9**	**2,2**	**3,8**

Dr. Kalliwoda | Research © 2011

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
	0
Equity Cost	0
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	0
Debt Cost (before tax)	7,0%
Tax rate on Debt interest	30,0%
Debt Cost (after tax)	**4,9%**
	0
Equity Value	35
Market Value of net debt	45
Gearing (Market Values)	127,8%
WACC	**7,36%**

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 4.81. This implies an upside potential of 19.4 % to the current share price (EUR 4.03). 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				
	ß = 1,34	6,86%	7,11%	7,36%	7,61%	7,86%
Growth	2,0%	4,77	4,31	3,89	3,51	3,17
	2,5%	5,31	4,78	4,30	3,87	3,48
	3,0%	5,99	5,36	**4,81**	4,31	3,87
	3,5%	6,88	6,11	5,45	4,86	4,34
	4,0%	8,08	7,10	6,27	5,56	4,93

Sensitivity analysis		Market capitalization				
	(EUR m)	Discount rate				
	ß = 1,34	6,86%	7,11%	7,36%	7,61%	7,86%
Growth	2,0%	40,51	36,60	33,06	29,84	26,89
	2,5%	45,12	40,60	36,56	32,91	29,60
	3,0%	50,93	45,59	**40,86**	36,64	32,86
	3,5%	58,47	51,95	46,27	41,29	36,88
	4,0%	68,64	60,36	53,30	47,22	41,93

6.4 Peergroup Analyse

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 2011E	EV/EBITDA 2012E	EV/EBIT 2011E	EV/EBIT 2012E	P/E 2011E	P/E 2012E	EBIT-Margin 2010E
Clarity Commerce Solutions plc	2,3	2,1	2,4	2,1	394,0	333,4	8,6%
Cognex Corp	9,1	n.a.	10,5	n.a.	21,0	16,3	23,8%
Datalogic SpA	6,8	6,8	8,7	8,4	15,0	12,3	10,4%
init innovation in traffic systems AG	7,1	n.a.	8,1	8,3	12,1	12,1	20,1%
Intermec Inc	5,0	n.a.	7,6	n.a.	25,2	18,9	5,3%
Metrologic Group SA	5,4	n.a.	5,6	n.a.	14,5	13,5	51,3%
Microvision Inc	neg.	3,6	neg.	189,5	neg.	neg.	-467,5%
NCR Corp	7,2	5,9	12,4	9,8	10,7	9,6	3,3%
Psion PLC	5,3	4,7	7,9	7,6	2921,2	1815,8	5,9%
Zebra Technologies Corp	8,9	n.a.	10,6	n.a.	17,9	15,9	16,7%
Peer Benchmark	6,3	4,6	8,2	37,6	17,9	15,9	9,5%
Hoeft & Wessel AG	6,0	5,4	22,2	17,1	40,1	25,3	3,1%
Discount (-)/Premium (+)	-5,2	16,1	170,9	-54,7	124,3	58,9	210,7
Valuation Range			**2,07 EUR to 6,42 EUR**				

Company Analysis

DR. KALLIWODA | RESEARCH GmbH

Equity Research

7. Contact

Höft & Wessel AG
Rotenburger Straße 20

30659 Hannover

Tel.: +49 (0) 511 6102-300
Fax: +49 (0) 511 6102-873
E-Mail: ir@hoeft-wessel.com

DR. KALLIWODA RESEARCH GmbH Primary Research | Fair Value Analysis | International Roadshows		Rüsterstraße 4a 60325 Frankfurt Tel.: +49 (0) 69-97 20 58 53 www.kalliwoda.com
Head: **Dr. Norbert Kalliwoda** E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm.	Sectors: IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
Sven Bedbur E-Mail: sb@kalliwoda.com	Dipl.-Kfm. Analyst; University of Frankfurt/Main	Sectors: IT Seriveses & Software, Financial Services, Mining & Exploration
Michael John E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	Sectors: Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
Dr. Thomas Krassmann E-Mail: tk@kalliwoda.com	Dipl.-Geologist, M.Sc.;University of Göttingen & Rhodes University, South Africa;	Sectors: Raw Materials, Mining, Precious Metals, Gem stones.
Maximilian F. Kaessens E-Mail: mk@kalliwoda.com	Bachelor of Science in Business Administration (Babson College (05/2012), Babson Park, MA (US))	Sectors: Financials, Real Estate
Dr. Christoph Piechaczek E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
Dr. Erik Schneider **E-Mail:** es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
David Schreindorfer E-Mail: ds@kalliwoda.com	MBA, Economic Investment Management; Univ. Frankfurt/ Univ. Iowa (US).	Sectors: IT/Logistics; Quantitative Modelling
Hellmut Schaarschmidt; E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	Sectors: Oil, Regenerative Energies, Specialities Chemicals, Utilities
Robin-Andreas Braun E-Mail: rb@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main (2012)	Sectors: Support Research and Quantitative Approach
Patrick Bellmann E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beisheim School of Management, Vallendar (2012)	Sectors: Support Research and Quantitative Approach
Nele Rave E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	Translations English

Also view Sales and Earnings Estimates:

DR. KALLIWODA | RESEARCH on Terminals of
Bloomberg
Thomson Reuters
vwd group
Factset

Analysts of this research:
Dr .Norbert Kalliwoda, CEFA   Sven Bedbur

8. DISCLAIMER

BUY	On a basis of our prognoses the stock should have a performance of at least 10% in the following 12 months.	**BUY**
ACCUMULATE	On a basis of our prognoses the stock should have a performance of between 5% and 10% in the following 12 months.	**ACCUMULATE**
HOLD	On a basis of our prognoses the stock should have a performance of between minus 5% and plus 5% in the following 12 months.	**HOLD**
REDUCE	On a basis of our prognoses the stock should have an underperformance of between minus 5% and minus 10%.	**REDUCE**
SELL	On a basis of our prognoses the stock should have an underperformance of at least minus 10%.	**SELL**

Additional Disclosure/Erklärung

DR. KALLIWODA | RESEARCH GmbH prepared this analysis on the basis of broadly accessible sources, which are regarded as reliable. We work as precisely as possible. We cannot however guarantee for the balance, precision, correctness and wholeness of the information and opinions. This study does not replace personal advice. This study is not regarded as invitation to the purchase or sale of the installation-instruments discussed in this study. Therefore, DR. KALLIWODA | RESEARCH GmbH advises to turn to your bank-advisor or trustees before an investment-disposition.

In the United Kingdom this document is only intended for distribution to persons described in Section 11(3) of the Financial Services Act 1986 (Investments Advertisements) (Exemptions) Order 1996 (in the latest amended version), and may not be passed on either directly nor indirectly to another group of persons. Neither this document nor a copy thereof may be sent or taken to or distributed in the United States of America, Canada or Japan or their territories or possessions nor may it be distributed to a US person as defined by the terms of the US Securities Act 1933 or to persons resident in Canada or Japan. Distribution of this document in other jurisdictations may be limited by law and persons in possession of this document should inform themselves of any restrictions and comply with these. Any failure to comply with these restrictions may represent a breach of a current securities act.

DR. KALLIWODA | RESEARCH GmbH as well as co-workers may hold positions in any securities mentioned in this study or in connected investments and may increase or sell their holdings in these securities or connected investments.

Possible conflicts of interest

Neither DR. KALLIWODA | RESEARCH GmbH nor any affiliated company

a) hold an interest of 1 percent or more of the equity capital of the company being covered in this report;

b) were involved in an emission of investments that is object of this study;

c) hold a net-sale position of the shares of the analyzed business of at least 1 percent of the share capital;

d) have serviced the analyzed investments based on any contract with the emitter on the stock exchange or in the market.

There is a contractual relationship only with the business of Höft & Wessel AG and DR. KALLIWODA |RESEARCH GmbH for the preparation of research studies.

Through the assumption of this document, the reader / recipient accepts the obligations in these disclaimers.

DISCLAIMER

The information and opinions in this analysis were prepared by DR. KALLIWODA | RESEARCH GmbH. The information herein is believed by DR. KALLIWODA | RESEARCH GmbH to be reliable and has been obtained from public sources believed to be reliable. With the exception of information about DR. KALLIWODA | RESEARCH GmbH, DR. KALLIWODA | RESEARCH GmbH makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this analysis. They do not necessarily reflect the opinions, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, except if research on the subject company is withdrawn. Prices and availability of financial instruments also are subject to change without notice. This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decision using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. If a financial instrument is denominated in a currency other than an investor´s currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. This report may not be reproduced, distributed or published by any person for any purpose without DR. KALLIWODA | RESEARCH GmbH´s prior written consent. Please cite source when quoting.