

HYPERCOM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
(Amounts in thousands, except per share data)	2005	2004	2005	2004
Net revenue:				
Product and other	\$ 57,300	\$ 67,261	\$ 210,963	\$ 214,239
Services	10,789	7,371	34,260	27,046
Total net revenue	68,089	74,632	245,223	241,285
Costs of revenue:				
Product and other	35,254	40,047	144,649	123,419
Services	9,452	5,657	27,442	20,721
Write-off of deferred contract costs	-	-	-	11,305
Total costs of revenue	44,706	45,704	172,091	155,445
Gross profit	23,383	28,928	73,132	85,840
Operating expenses:				
Research and development	6,409	7,282	27,555	27,188
Selling, general and administrative	19,735	18,751	72,649	65,242
Total operating expenses	26,144	26,033	100,204	92,430
Income (loss) from continuing operations	(2,761)	2,895	(27,072)	(6,590)
Interest income	874	415	2,679	1,198
Interest expense	(183)	(84)	(787)	(1,412)
Other income (expense)	(93)	(6)	(240)	13
Foreign currency gain (loss)	(401)	27	(1,297)	(1,906)
Income (loss) before income taxes and discontinued operations	(2,564)	3,247	(26,717)	(8,697)
Provision for income taxes	(728)	(557)	(3,526)	(3,833)
Income (loss) before discontinued operations	(3,292)	2,690	(30,243)	(12,530)
Income (loss) from discontinued operations	(7,279)	1,838	(3,123)	3,868

Net income (loss)	\$ (10,571)	\$ 4,528	\$ (33,366)	\$ (8,662)
Basic income (loss) per share:				
Income (loss) before discontinued operations	\$ (0.06)	\$ 0.05	\$ (0.58)	\$ (0.24)
Income (loss) from discontinued operations	(0.14)	0.04	(0.06)	0.07
Basic income (loss) per share	\$ (0.20)	\$ 0.09	\$ (0.64)	\$ (0.17)
Diluted income (loss) per share:				
Income (loss) before discontinued operations	\$ (0.06)	\$ 0.05	\$ (0.58)	\$ (0.24)
Income (loss) from discontinued operations	(0.14)	0.03	(0.06)	0.07
Diluted income (loss) per share	\$ (0.20)	\$ 0.08	\$ (0.64)	\$ (0.17)
Weighted average common shares:				
Basic	52,343,898	51,804,830	52,395,001	51,251,975
Diluted	52,343,898	53,507,505	52,395,001	51,251,975
EBITDA from continuing operations	\$ (838)	\$ 5,021	\$ (20,719)	\$ (476)

HYPERCOM CORPORATION
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

December 31, 2005	December 31, 2004
(Unaudited)	

ASSETS

Current assets:

Cash and cash equivalents	\$ 35,940	\$ 23,445
Marketable securities	57,951	69,962
Accounts receivable, net	48,852	59,776
Current portion of net investment in sales-type leases	-	9,441
Inventories	39,414	44,455
Prepaid expenses and other current assets	8,946	12,955
Deferred tax assets	561	-

Assets of discontinued operations held for sale	12,613	-
	-----	-----
Total current assets	204,277	220,034
Property, plant and equipment, net	27,746	29,920
Net investment in sales-type leases	-	17,668
Intangible assets, net	3,503	4,475
Other long-term assets	3,827	5,163
	-----	-----
Total assets	\$ 239,353	\$ 277,260
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,721	\$ 27,817
Accrued payroll and related expenses	8,460	8,679
Accrued sales and other taxes	9,479	8,792
Accrued other liabilities	12,371	8,308
Deferred revenue	2,762	2,768
Deferred tax liabilities	439	-
Income taxes payable	1,651	3,411
Current portion of long-term debt	8,355	470
	-----	-----
Total current liabilities	61,238	60,245
Non-current liabilities	7,336	11,643
	-----	-----
Total liabilities	68,574	71,888
Stockholders' equity	170,779	205,372
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Total liabilities and stockholders' equity	\$ 239,353	\$ 277,260
	=====	=====

HYPERCOM CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
(Amounts in thousands)	2005	2004	2005	2004
Cash flows from continuing operations:				
Net income (loss) from continuing operations	\$ (3,292)	\$ 2,690	\$ (30,243)	\$ (12,530)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:				
Depreciation/amortization	2,417	2,105	7,890	8,007
Amortization of deferred financing costs	4	3	15	529
Amortization of discount on marketable securities	(333)	(223)	(1,099)	(223)

Provision for bad debts	606	806	2,046	1,915
Provision for long-term contract accounts receivable	-	(1,385)	-	-
Write-down of excess and obsolete inventory	7,456	1,995	18,539	7,922
Provision for warranty and other product charges	1,260	409	8,926	727
Deferred income taxes	219	-	219	-
Non-cash stock compensation	343	76	828	405
Non-cash write-off of marketing rights intangible asset	-	698	-	698
Foreign currency (gain) loss	492	(2,013)	(976)	74
Write-off of capitalized software and other assets	208	761	2,181	817
Write-off of deferred contract costs	-	-	-	11,305
Changes in operating assets and liabilities, net	(6,252)	(2,833)	(12,080)	(10,797)
	-----	-----	-----	-----
Net cash provided by (used in) operating activities	3,128	3,089	(3,754)	8,849
	-----	-----	-----	-----
Cash flows from investing activities:				
Purchase of property, plant and equipment	(1,334)	(2,021)	(4,916)	(5,855)
Software development costs capitalized	-	(790)	(559)	(2,953)
Purchase of marketable securities	(80,673)	(35,832)	(216,915)	(90,239)
Proceeds from the sale or maturity of marketable securities	66,507	30,400	230,025	37,900
	-----	-----	-----	-----
Net cash (used in) provided by investing activities	(15,500)	(8,243)	7,635	(61,147)
	-----	-----	-----	-----
Cash flows from financing activities:				
Repayments of bank notes payable and other debt instruments	(87)	(192)	(424)	(995)
Proceeds from issuance of common stock	2,292	2,253	7,175	8,276
Purchase of treasury stock	(295)	-	(9,236)	-
Repayment of advances to stockholders	-	-	-	1,056
	-----	-----	-----	-----
Net cash provided by (used in) financing activities	1,910	2,061	(2,485)	8,337
	-----	-----	-----	-----
Effect of exchange rate changes on cash	(223)	438	(333)	407
	-----	-----	-----	-----
Net (decrease) increase in cash flows from continuing operations	(10,685)	(2,655)	1,063	(43,554)
Net cash (used in) provided by in operating activities from discontinued operations	(453)	(660)	11,432	4,450
Net cash (used in) investing				

activities from discontinued operations	-	(764)	-	(2,866)
Cash and cash equivalents, beginning of period	47,078	27,524	23,445	65,415
	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 35,940	\$ 23,445	\$ 35,940	\$ 23,445
	=====	=====	=====	=====

HYPERCOM CORPORATION
NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		
	2005		

(Amounts in thousands, except per share data)	GAAP	Non-GAAP Adjustments	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$ 57,300	\$ -	\$57,300
Services	10,789	-	10,789
	-----	-----	-----
Total net revenue	68,089	-	68,089
	-----	-----	-----
Costs of revenue:			
Product and other	35,254	(3,847)	31,407
Services	9,452	-	9,452
	-----	-----	-----
Total costs of revenue	44,706	(3,847)	40,859
	-----	-----	-----
Gross profit	23,383	3,847	27,230
	-----	-----	-----
Operating expenses:			
Research and development	6,409	(237)	6,172
Selling, general and administrative	19,735	(2,757)	16,978
	-----	-----	-----
Total operating expenses	26,144	(2,994)	23,150
	-----	-----	-----
Income (loss) from continuing operations	(2,761)	6,841	4,080
Interest income	874	-	874
Interest expense	(183)	-	(183)
Other expense	(93)	-	(93)
Foreign currency gain (loss)	(401)	-	(401)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(2,564)	6,841	4,277
Provision for income taxes	(728)	(203)	(931)
	-----	-----	-----
Income (loss) before discontinued operations	(3,292)	6,638	3,346
Income (loss) from discontinued operations	(7,279)	-	(7,279)
	-----	-----	-----
Net income (loss)	\$ (10,571)	\$ 6,638	\$ (3,933)
	=====	=====	=====

Basic income (loss) per share:
Income (loss) before discontinued

operations	\$ (0.06)	\$ 0.12	\$ 0.06
Income (loss) from discontinued operations	(0.14)	-	(0.14)
	-----	-----	-----
Basic income (loss) per share	<u>\$ (0.20)</u>	<u>\$ 0.12</u>	<u>\$ (0.08)</u>
	=====	=====	=====
Diluted income (loss) per share:			
Income (loss) before discontinued operations	\$ (0.06)		\$ 0.06
Income (loss) from discontinued operations	(0.14)		(0.13)
	-----		-----
Diluted income (loss) per share	<u>\$ (0.20)</u>		<u>\$ (0.07)</u>
	=====		=====

Three Months Ended December 31,

2004

(Amounts in thousands, except per share data)

	GAAP	Non-GAAP Adjustments	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$67,261	\$ -	\$67,261
Services	7,371	-	7,371
	-----	-----	-----
Total net revenue	74,632	-	74,632
	-----	-----	-----
Costs of revenue:			
Product and other	40,047	-	40,047
Services	5,657	-	5,657
	-----	-----	-----
Total costs of revenue	45,704	-	45,704
	-----	-----	-----
Gross profit	28,928	-	28,928
	-----	-----	-----
Operating expenses:			
Research and development	7,282	-	7,282
Selling, general and administrative	18,751	1,385	20,136
	-----	-----	-----
Total operating expenses	26,033	1,385	27,418
	-----	-----	-----
Income (loss) from continuing operations	2,895	(1,385)	1,510
Interest income	415	-	415
Interest expense	(84)	-	(84)
Other expense	(6)	-	(6)
Foreign currency gain (loss)	27	-	27
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	3,247	(1,385)	1,862
Provision for income taxes	(557)	-	(557)
	-----	-----	-----
Income (loss) before discontinued operations	2,690	(1,385)	1,305
Income (loss) from discontinued operations	1,838	-	1,838
	-----	-----	-----
Net income (loss)	<u>\$ 4,528</u>	<u>\$ (1,385)</u>	<u>\$ 3,143</u>
	=====	=====	=====

Basic income (loss) per share:			
Income (loss) before discontinued operations	\$ 0.05	\$ (0.02)	\$ 0.03
Income (loss) from discontinued operations	0.04	(0.01)	0.03
	-----	-----	-----
Basic income (loss) per share	\$ 0.09	\$ (0.03)	\$ 0.06
	=====	=====	=====
Diluted income (loss) per share:			
Income (loss) before discontinued operations	\$ 0.05		\$ 0.02
Income (loss) from discontinued operations	0.03		0.04
	-----		-----
Diluted income (loss) per share	\$ 0.08		\$ 0.06
	=====		=====

HYPERCOM CORPORATION
NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Year Ended December 31,		

	2005		

(Amounts in thousands, except per share data)	GAAP	Non-GAAP Adjustments	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$210,963	\$ 365	\$211,328
Services	34,260	-	34,260
	-----	-----	-----
Total net revenue	245,223	365	245,588
	-----	-----	-----
Costs of revenue:			
Product and other	144,649	(19,042)	125,607
Services	27,442	(930)	26,512
Write-off of deferred contract costs	-	-	-
	-----	-----	-----
Total costs of revenue	172,091	(19,972)	152,119
	-----	-----	-----
Gross profit	73,132	20,337	93,469
	-----	-----	-----
Operating expenses:			
Research and development	27,555	(1,273)	26,282
Selling, general and administrative	72,649	(6,394)	66,255
	-----	-----	-----
Total operating expenses	100,204	(7,667)	92,537
	-----	-----	-----
Income (loss) from continuing operations	(27,072)	28,004	932
Interest income	2,679	-	2,679
Interest expense	(787)	-	(787)
Other income (expense)	(240)	-	(240)
Foreign currency loss	(1,297)	-	(1,297)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(26,717)	28,004	1,287
Provision for income taxes	(3,526)	(264)	(3,790)

Loss before discontinued operations	(30,243)	27,740	(2,503)
Income (loss) from discontinued operations	(3,123)	-	(3,123)
Net income (loss)	<u>\$ (33,366)</u>	<u>\$ 27,740</u>	<u>\$ (5,626)</u>

Basic and diluted income (loss) per share:

Income (loss) before discontinued operations	\$ (0.58)	\$ (0.05)
Income (loss) from discontinued operations	(0.06)	(0.06)

Basic and diluted income (loss) per share	<u>\$ (0.64)</u>	<u>\$ (0.11)</u>
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Year Ended December 31,

2004

(Amounts in thousands, except per share data)

	GAAP	Non-GAAP Adjustments	Non-GAAP
Net revenue:			
Product and other	\$214,239	\$ -	\$214,239
Services	27,046	-	27,046
Total net revenue	241,285	-	241,285
Costs of revenue:			
Product and other	123,419	-	123,419
Services	20,721	-	20,721
Write-off of deferred contract costs	11,305	(11,305)	-
Total costs of revenue	155,445	(11,305)	144,140
Gross profit	85,840	11,305	97,145
Operating expenses:			
Research and development	27,188	-	27,188
Selling, general and administrative	65,242	-	65,242
Total operating expenses	92,430	-	92,430
Income (loss) from continuing operations	(6,590)	11,305	4,715
Interest income	1,198	-	1,198
Interest expense	(1,412)	-	(1,412)
Other income (expense)	13	-	13
Foreign currency loss	(1,906)	-	(1,906)
Income (loss) before income taxes and discontinued operations	(8,697)	11,305	2,608
Provision for income taxes	(3,833)	-	(3,833)
Loss before discontinued operations	(12,530)	11,305	(1,225)
Income (loss) from discontinued			

operations	3,868	-	3,868
	-----	-----	-----
Net income (loss)	\$ (8,662)	\$ 11,305	\$ 2,643
	=====	=====	=====
Basic and diluted income (loss) per share:			
Income (loss) before discontinued operations	\$ (0.24)		\$ (0.02)
Income (loss) from discontinued operations	0.07		0.07
	-----		-----
Basic and diluted income (loss) per share	\$ (0.17)		\$ 0.05
	=====		=====

HYPERCOM CORPORATION
NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		

	March 31, 2005		

(Amounts in thousands, except per share data)	GAAP	Non-GAAP Adjustments (1)	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$ 43,654	\$ 148	\$43,802
Services	6,779	-	6,779
	-----	-----	-----
Total net revenue	50,433	148	50,581
	-----	-----	-----
Costs of revenue:			
Product and other	28,609	(2,838)	25,771
Services	5,287	-	5,287
	-----	-----	-----
Total costs of revenue	33,896	(2,838)	31,058
	-----	-----	-----
Gross profit	16,537	2,986	19,523
	-----	-----	-----
Operating expenses:			
Research and development	7,258	(456)	6,802
Selling, general and administrative	20,187	(1,673)	18,514
	-----	-----	-----
Total operating expenses	27,445	(2,129)	25,316
	-----	-----	-----
Income (loss) from continuing operations	(10,908)	5,115	(5,793)
Interest income	557	-	557
Interest expense	(174)	-	(174)
Other expense	(45)	-	(45)
Foreign currency loss	(272)	-	(272)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(10,842)	5,115	(5,727)
Provision for income taxes	(805)	(61)	(866)
	-----	-----	-----
Income (loss) before discontinued			

operations	(11,647)	5,054	(6,593)
Income (loss) from discontinued operations	2,007	-	2,007
	-----	-----	-----
Net income (loss)	\$ (9,640)	\$ 5,054	\$ (4,586)
	=====	=====	=====

Three Months Ended

June 30, 2005

(Amounts in thousands, except per share data)	Non-GAAP Adjustments		
	GAAP	(1)	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$ 52,852	\$ 217	\$53,069
Services	7,302	-	7,302
	-----	-----	-----
Total net revenue	60,154	217	60,371
	-----	-----	-----
Costs of revenue:			
Product and other	45,905	(12,357)	33,548
Services	6,516	(930)	5,586
	-----	-----	-----
Total costs of revenue	52,421	(13,287)	39,134
	-----	-----	-----
Gross profit	7,733	13,504	21,237
	-----	-----	-----
Operating expenses:			
Research and development	7,592	(580)	7,012
Selling, general and administrative	17,641	(1,964)	15,677
	-----	-----	-----
Total operating expenses	25,233	(2,544)	22,689
	-----	-----	-----
Income (loss) from continuing operations	(17,500)	16,048	(1,452)
Interest income	637	-	637
Interest expense	(209)	-	(209)
Other expense	(14)	-	(14)
Foreign currency loss	(437)	-	(437)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(17,523)	16,048	(1,475)
Provision for income taxes	(626)	-	(626)
	-----	-----	-----
Income (loss) before discontinued operations	(18,149)	16,048	(2,101)
Income (loss) from discontinued operations	1,493	-	1,493
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Net income (loss)	\$ (16,656)	\$ 16,048	\$ (608)
	=====	=====	=====

Three Months Ended

September 30, 2005

(Amounts in thousands, except per share data)	Non-GAAP Adjustments		
	GAAP	Non-GAAP	Non-GAAP
	-----	-----	-----

Net revenue:			
Product and other	\$57,157	\$ -	\$57,157
Services	9,390	-	9,390
	-----	-----	-----
Total net revenue	66,547	-	66,547
	-----	-----	-----
Costs of revenue:			
Product and other	34,881	-	34,881
Services	6,187	-	6,187
	-----	-----	-----
Total costs of revenue	41,068	-	41,068
	-----	-----	-----
Gross profit	25,479	-	25,479
	-----	-----	-----
Operating expenses:			
Research and development	6,296	-	6,296
Selling, general and administrative	15,086	-	15,086
	-----	-----	-----
Total operating expenses	21,382	-	21,382
	-----	-----	-----
Income (loss) from continuing operations	4,097	-	4,097
Interest income	611	-	611
Interest expense	(221)	-	(221)
Other expense	(88)	-	(88)
Foreign currency loss	(187)	-	(187)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	4,212	-	4,212
Provision for income taxes	(1,367)	-	(1,367)
	-----	-----	-----
Income (loss) before discontinued operations	2,845	-	2,845
Income (loss) from discontinued operations	656	-	656
	-----	-----	-----
Net income (loss)	\$ 3,501	\$ -	\$ 3,501
	=====	=====	=====

Three Months Ended

December 31, 2005

(Amounts in thousands, except per share data)

	GAAP	Non-GAAP Adjustments	Non-GAAP
	-----	-----	-----
Net revenue:			
Product and other	\$ 57,300	\$ -	\$57,300
Services	10,789	-	10,789
	-----	-----	-----
Total net revenue	68,089	-	68,089
	-----	-----	-----
Costs of revenue:			
Product and other	35,254	(3,847)	31,407
Services	9,452	-	9,452
	-----	-----	-----
Total costs of revenue	44,706	(3,847)	40,859
	-----	-----	-----
Gross profit	23,383	3,847	27,230
	-----	-----	-----
Operating expenses:			
Research and development	6,409	(237)	6,172
Selling, general and administrative	19,735	(2,757)	16,978
	-----	-----	-----

Total operating expenses	26,144	(2,994)	23,150
Income (loss) from continuing operations	(2,761)	6,841	4,080
Interest income	874	-	874
Interest expense	(183)	-	(183)
Other expense	(93)	-	(93)
Foreign currency loss	(401)	-	(401)
Income (loss) before income taxes and discontinued operations	(2,564)	6,841	4,277
Provision for income taxes	(728)	(203)	(931)
Income (loss) before discontinued operations	(3,292)	6,638	3,346
Income (loss) from discontinued operations	(7,279)	-	(7,279)
Net income (loss)	<u>\$ (10,571)</u>	<u>\$ 6,638</u>	<u>\$ (3,933)</u>

Year Ended December 31, 2005

(Amounts in thousands, except per share data)

	GAAP	Non-GAAP Adjustments	Non-GAAP
Net revenue:			
Product and other	\$210,963	\$ 365	\$211,328
Services	34,260	-	34,260
Total net revenue	245,223	365	245,588
Costs of revenue:			
Product and other	144,649	(19,042)	125,607
Services	27,442	(930)	26,512
Total costs of revenue	172,091	(19,972)	152,119
Gross profit	73,132	20,337	93,469
Operating expenses:			
Research and development	27,555	(1,273)	26,282
Selling, general and administrative	72,649	(6,394)	66,255
Total operating expenses	100,204	(7,667)	92,537
Income (loss) from continuing operations	(27,072)	28,004	932
Interest income	2,679	-	2,679
Interest expense	(787)	-	(787)
Other expense	(240)	-	(240)
Foreign currency loss	(1,297)	-	(1,297)
Income (loss) before income taxes and discontinued operations	(26,717)	28,004	1,287
Provision for income taxes	(3,526)	(264)	(3,790)
Income (loss) before discontinued operations	(30,243)	27,740	(2,503)
Income (loss) from discontinued operations	(3,123)	-	(3,123)
Net income (loss)	<u>\$ (33,366)</u>	<u>\$ 27,740</u>	<u>\$ (5,626)</u>

(1) Non-GAAP adjustments differ from previously reported amounts as charges related to the UK Lease Portfolio (\$141 during the 2005 first quarter and \$749 during the 2005 second quarter) have been excluded from the Non-GAAP Adjustment column and are now reflected in the income from discontinued operations line.

HYPERCOM CORPORATION
NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended		
	March 31, 2005		
	As Previously Reported	Discontinued Operations (2)	GAAP
Net revenue:			
Product and other	\$ 47,752	\$ (4,098)	\$ 43,654
Services	6,779	-	6,779
Total net revenue	54,531	(4,098)	50,433
Costs of revenue:			
Product and other	30,685	(2,076)	28,609
Services	5,287	-	5,287
Total costs of revenue	35,972	(2,076)	33,896
Gross profit	18,559	(2,022)	16,537
Operating expenses:			
Research and development	7,258	-	7,258
Selling, general and administrative	20,603	(416)	20,187
Total operating expenses	27,861	(416)	27,445
Income (loss) from continuing operations	(9,302)	(1,606)	(10,908)
Interest income	557	-	557
Interest expense	(174)	-	(174)
Other expense	(45)	-	(45)
Foreign currency gain (loss)	(270)	(2)	(272)
Income (loss) before income taxes and discontinued operations	(9,234)	(1,608)	(10,842)
Provision for income taxes	(805)	-	(805)
Income (loss) before discontinued operations	(10,039)	(1,608)	(11,647)
Income (loss) from discontinued operations	399 (1)	1,608	2,007
Net income (loss)	\$ (9,640)	\$ -	\$ (9,640)

(Amounts in thousands, except per share data)	Three Months Ended		
	June 30, 2005		
	As Previously Reported	Discontinued Operations (2)	GAAP
Net revenue:			
Product and other Services	\$ 56,713 7,302	\$ (3,861) -	\$ 52,852 7,302
Total net revenue	64,015	(3,861)	60,154
Costs of revenue:			
Product and other Services	47,661 6,516	(1,756) -	45,905 6,516
Total costs of revenue	54,177	(1,756)	52,421
Gross profit	9,838	(2,105)	7,733
Operating expenses:			
Research and development	7,592	-	7,592
Selling, general and administrative	17,950	(309)	17,641
Total operating expenses	25,542	(309)	25,233
Income (loss) from continuing operations	(15,704)	(1,796)	(17,500)
Interest income	637	-	637
Interest expense	(209)	-	(209)
Other expense	(14)	-	(14)
Foreign currency gain (loss)	(740)	303	(437)
Income (loss) before income taxes and discontinued operations	(16,030)	(1,493)	(17,523)
Provision for income taxes	(626)	-	(626)
Income (loss) before discontinued operations	(16,656)	(1,493)	(18,149)
Income (loss) from discontinued operations	-	1,493	1,493
Net income (loss)	<u>\$ (16,656)</u>	<u>\$ -</u>	<u>\$ (16,656)</u>

(Amounts in thousands, except per share data)	Three Months Ended		
	September 30, 2005		
	As Previously Reported	Discontinued Operations (2)	GAAP
Net revenue:			
Product and other Services	\$60,419 9,390	\$ (3,262) -	\$57,157 9,390
Total net revenue	69,809	(3,262)	66,547

Costs of revenue:			
Product and other	37,121	(2,240)	34,881
Services	6,187	-	6,187
	-----	-----	-----
Total costs of revenue	43,308	(2,240)	41,068
	-----	-----	-----
Gross profit	26,501	(1,022)	25,479
	-----	-----	-----
Operating expenses:			
Research and development	6,296	-	6,296
Selling, general and administrative	15,374	(288)	15,086
	-----	-----	-----
Total operating expenses	21,670	(288)	21,382
	-----	-----	-----
Income (loss) from continuing operations	4,831	(734)	4,097
Interest income	611	-	611
Interest expense	(221)	-	(221)
Other expense	(88)	-	(88)
Foreign currency gain (loss)	(265)	78	(187)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	4,868	(656)	4,212
Provision for income taxes	(1,367)	-	(1,367)
	-----	-----	-----
Income (loss) before discontinued operations	3,501	(656)	2,845
Income (loss) from discontinued operations	-	656	656
	-----	-----	-----
Net income (loss)	\$ 3,501	\$ -	\$ 3,501
	=====	=====	=====

Three Months Ended

December 31, 2005

(Amounts in thousands, except per share data)	Before		GAAP
	Discontinued Operations	Discontinued Operations	
	(3)	(3)	
	-----	-----	-----
Net revenue:			
Product and other	\$60,434	\$ (3,134)	\$ 57,300
Services	10,789	-	10,789
	-----	-----	-----
Total net revenue	71,223	(3,134)	68,089
	-----	-----	-----
Costs of revenue:			
Product and other	38,713	(3,459)	35,254
Services	9,452	-	9,452
	-----	-----	-----
Total costs of revenue	48,165	(3,459)	44,706
	-----	-----	-----
Gross profit	23,058	325	23,383
	-----	-----	-----
Operating expenses:			
Research and development	6,409	-	6,409
Selling, general and administrative	20,119	(384)	19,735
	-----	-----	-----
Total operating expenses	26,528	(384)	26,144
	-----	-----	-----

Income (loss) from continuing operations	(3,470)	709	(2,761)
Interest income	874	-	874
Interest expense	(183)	-	(183)
Other expense	(93)	-	(93)
Foreign currency gain (loss)	(362)	(39)	(401)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(3,234)	670	(2,564)
Provision for income taxes	(728)	-	(728)
	-----	-----	-----
Income (loss) before discontinued operations	(3,962)	670	(3,292)
Income (loss) from discontinued operations	-	(7,279)	(7,279)
	-----	-----	-----
Net income (loss)	<u>\$ (3,962)</u>	<u>\$ (6,609)</u>	<u>\$ (10,571)</u>

Year Ended December 31, 2005

(Amounts in thousands, except per share data)	Before Discontinued Operations		
	(3)	(3)	GAAP
	-----	-----	-----
Net revenue:			
Product and other Services	\$225,318 34,260	\$ (14,355) -	\$210,963 34,260
	-----	-----	-----
Total net revenue	259,578	(14,355)	245,223
	-----	-----	-----
Costs of revenue:			
Product and other Services	154,180 27,442	(9,531) -	144,649 27,442
	-----	-----	-----
Total costs of revenue	181,622	(9,531)	172,091
	-----	-----	-----
Gross profit	77,956	(4,824)	73,132
	-----	-----	-----
Operating expenses:			
Research and development	27,555	-	27,555
Selling, general and administrative	74,046	(1,397)	72,649
	-----	-----	-----
Total operating expenses	101,601	(1,397)	100,204
	-----	-----	-----
Income (loss) from continuing operations	(23,645)	(3,427)	(27,072)
Interest income	2,679	-	2,679
Interest expense	(787)	-	(787)
Other expense	(240)	-	(240)
Foreign currency gain (loss)	(1,637)	340	(1,297)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(23,630)	(3,087)	(26,717)
Provision for income taxes	(3,526)	-	(3,526)
	-----	-----	-----
Income (loss) before discontinued operations	(27,156)	(3,087)	(30,243)
Income (loss) from discontinued operations	399 (1)	(3,522)	(3,123)
	-----	-----	-----

Net income (loss)	\$ (26,757)	\$ (6,609)	\$ (33,366)
	=====	=====	=====

- (1) During the 2005 first quarter, the Company recorded income from discontinued operations principally relating to the release of excess reserves no longer required due to the expiration of the indemnification period under a prior purchase and sales agreement of a discontinued business.
- (2) All amounts related to the UK Lease Portfolio have been classified as discontinued operations and accordingly have been reflected above as an adjustment to amounts previously reported to arrive at GAAP amounts.
- (3) During the 2005 fourth quarter, the Company made the decision to sell its UK Lease Portfolio as this leasing business does not align with the Company's core business. As a result, for the quarter and year ended December 31, 2005, the Company has provided a non-GAAP statement of operations "before discontinued operations" adjusted for the results of the "discontinued operations" to arrive at the GAAP amounts.

HYPERCOM CORPORATION
NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended		
	March 31, 2004		
	As Previously Reported	Discontinued Operations (1)	GAAP
Net revenue:			
Product and other	\$43,531	\$ (2,468)	\$41,063
Services	6,111	-	6,111
Total net revenue	49,642	(2,468)	47,174
Costs of revenue:			
Product and other	24,601	(2,444)	22,157
Services	4,543	-	4,543
Write-off of deferred contract costs	-	-	-
Total costs of revenue	29,144	(2,444)	26,700
Gross profit	20,498	(24)	20,474
Operating expenses:			
Research and development	6,825	-	6,825
Selling, general and administrative	14,885	(213)	14,672
Total operating expenses	21,710	(213)	21,497
Income (loss) from continuing operations	(1,212)	189	(1,023)
Interest income	273	-	273
Interest expense	(491)	-	(491)
Other income (expense)	18	-	18
Foreign currency gain (loss)	(732)	119	(613)

Income (loss) before income taxes and discontinued operations	(2,144)	308	(1,836)
Provision for income taxes	(829)	-	(829)
Income (loss) before discontinued operations	(2,973)	308	(2,665)
Income (loss) from discontinued operations	-	(308)	(308)
Net income (loss)	<u>\$ (2,973)</u>	<u>\$ -</u>	<u>\$ (2,973)</u>

Three Months Ended

June 30, 2004

(Amounts in thousands, except per share data)	As Previously Reported	Discontinued Operations (1)	GAAP
Net revenue:			
Product and other	\$ 55,564	\$ (2,450)	\$ 53,114
Services	7,495	-	7,495
Total net revenue	63,059	(2,450)	60,609
Costs of revenue:			
Product and other	30,830	(571)	30,259
Services	5,375	-	5,375
Write-off of deferred contract costs	11,305	-	11,305
Total costs of revenue	47,510	(571)	46,939
Gross profit	15,549	(1,879)	13,670
Operating expenses:			
Research and development	6,444	-	6,444
Selling, general and administrative	16,962	(253)	16,709
Total operating expenses	23,406	(253)	23,153
Income (loss) from continuing operations	(7,857)	(1,626)	(9,483)
Interest income	221	-	221
Interest expense	(445)	-	(445)
Other income (expense)	2	-	2
Foreign currency gain (loss)	(907)	316	(591)
Income (loss) before income taxes and discontinued operations	(8,986)	(1,310)	(10,296)
Provision for income taxes	(1,540)	-	(1,540)
Income (loss) before discontinued operations	(10,526)	(1,310)	(11,836)
Income (loss) from discontinued operations	-	1,310	1,310
Net income (loss)	<u>\$ (10,526)</u>	<u>\$ -</u>	<u>\$ (10,526)</u>

(Amounts in thousands, except per share data)	Three Months Ended		
	September 30, 2004		
	As Previously Reported	Discontinued Operations (1)	GAAP
Net revenue:			
Product and other	\$56,682	\$ (3,881)	\$52,801
Services	6,069	-	6,069
Total net revenue	62,751	(3,881)	58,870
Costs of revenue:			
Product and other	33,306	(2,350)	30,956
Services	5,146	-	5,146
Write-off of deferred contract costs	-	-	-
Total costs of revenue	38,452	(2,350)	36,102
Gross profit	24,299	(1,531)	22,768
Operating expenses:			
Research and development	6,637	-	6,637
Selling, general and administrative	15,413	(303)	15,110
Total operating expenses	22,050	(303)	21,747
Income (loss) from continuing operations	2,249	(1,228)	1,021
Interest income	289	-	289
Interest expense	(392)	-	(392)
Other income (expense)	(1)	-	(1)
Foreign currency gain (loss)	(929)	200	(729)
Income (loss) before income taxes and discontinued operations	1,216	(1,028)	188
Provision for income taxes	(907)	-	(907)
Income (loss) before discontinued operations	309	(1,028)	(719)
Income (loss) from discontinued operations	-	1,028	1,028
Net income (loss)	\$ 309	\$ -	\$ 309

(Amounts in thousands, except per share data)	Three Months Ended		
	December 31, 2004		
	As Previously Reported	Discontinued Operations (1)	GAAP
Net revenue:			
Product and other	\$72,332	\$ (5,071)	\$67,261
Services	7,371	-	7,371
Total net revenue	79,703	(5,071)	74,632

Costs of revenue:	-----	-----	-----
Product and other	42,296	(2,249)	40,047
Services	5,657	-	5,657
Write-off of deferred contract costs	-	-	-
Total costs of revenue	47,953	(2,249)	45,704
Gross profit	31,750	(2,822)	28,928
Operating expenses:	-----	-----	-----
Research and development	7,282	-	7,282
Selling, general and administrative	19,053	(302)	18,751
Total operating expenses	26,335	(302)	26,033
Income (loss) from continuing operations	5,415	(2,520)	2,895
Interest income	415	-	415
Interest expense	(84)	-	(84)
Other income (expense)	(6)	-	(6)
Foreign currency gain (loss)	(655)	682	27
Income (loss) before income taxes and discontinued operations	5,085	(1,838)	3,247
Provision for income taxes	(557)	-	(557)
Income (loss) before discontinued operations	4,528	(1,838)	2,690
Income (loss) from discontinued operations	-	1,838	1,838
Net income (loss)	<u>\$ 4,528</u>	<u>\$ -</u>	<u>\$ 4,528</u>

Year Ended December 31, 2004

(Amounts in thousands, except per share data)	As Previously Reported	Discontinued Operations (1)	GAAP
Net revenue:			
Product and other	\$228,109	\$ (13,870)	\$214,239
Services	27,046	-	27,046
Total net revenue	255,155	(13,870)	241,285
Costs of revenue:			
Product and other	131,033	(7,614)	123,419
Services	20,721	-	20,721
Write-off of deferred contract costs	11,305	-	11,305
Total costs of revenue	163,059	(7,614)	155,445
Gross profit	92,096	(6,256)	85,840
Operating expenses:			
Research and development	27,188	-	27,188
Selling, general and administrative	66,313	(1,071)	65,242
Total operating expenses	93,501	(1,071)	92,430
Income (loss) from continuing			

operations	(1,405)	(5,185)	(6,590)
Interest income	1,198	-	1,198
Interest expense	(1,412)	-	(1,412)
Other income (expense)	13	-	13
Foreign currency gain (loss)	(3,223)	1,317	(1,906)
	-----	-----	-----
Income (loss) before income taxes and discontinued operations	(4,829)	(3,868)	(8,697)
Provision for income taxes	(3,833)	-	(3,833)
	-----	-----	-----
Income (loss) before discontinued operations	(8,662)	(3,868)	(12,530)
Income (loss) from discontinued operations	-	3,868	3,868
	-----	-----	-----
Net income (loss)	\$ (8,662)	\$ -	\$ (8,662)
	=====	=====	=====

(1) All amounts related to the UK Lease Portfolio have been classified as discontinued operations and accordingly have been reflected above as an adjustment to amounts previously reported as GAAP amounts.