

HYPERCOM CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
(Amounts in thousands, except per share data)				
Net revenue:				
Products	\$ 62,161	\$ 49,909	\$ 206,360	\$ 191,286
Services	28,519	14,874	87,442	57,279
Total net revenue	90,680	64,783	293,802	248,565
Costs of revenue:				
Products	46,616	33,511	149,787	117,756
Services	19,289	12,082	68,567	41,784
Total costs of revenue	65,905	45,593	218,354	159,540
Gross profit	24,775	19,190	75,448	89,025
Operating expenses:				
Research and development	7,212	8,159	28,753	27,706
Selling, general and administrative	18,595	14,410	60,710	60,105
In-process research and development	-	1,000	-	1,000
Loss (gain) on sale of real property	-	5	(3,796)	(2,953)
Total operating expenses	25,807	23,574	85,667	85,858
Income (loss) from continuing operations	(1,032)	(4,384)	(10,219)	3,167
Interest income, net	1,073	1,169	3,832	3,686
Foreign currency loss	(329)	(62)	(1,685)	(699)
Other expense	(18)	(40)	(25)	(71)
Income (loss) before income taxes and discontinued operations	(306)	(3,317)	(8,097)	6,083
Provision for income taxes	259	582	(478)	(1,346)

Income (loss) before discontinued operations	(47)	(2,735)	(8,575)	4,737
Income (loss) from discontinued operations	309	(7)	1,098	2,233
Net income (loss)	\$ 262	\$ (2,742)	\$ (7,477)	\$ 6,970

Basic and diluted income (loss) per share:				
Income (loss) before discontinued operations	\$ -	\$ (0.05)	\$ (0.16)	\$ 0.09
Income (loss) from discontinued operations	-	-	0.02	0.04
Basic and diluted income (loss) per share	\$ -	\$ (0.05)	\$ (0.14)	\$ 0.13

Weighted average common shares:				
Basic	52,925,592	53,528,639	52,927,296	53,248,194
Diluted	53,073,820	53,528,639	52,927,296	53,965,576

HYPERCOM CORPORATION  
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	December 31, 2007	December 31, 2006
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 76,925	\$ 34,190
Restricted cash	238	201
Short-term investments	4,988	47,228
Accounts receivable, net	71,341	52,777
Inventories	22,343	52,632
Prepaid expenses and other current assets	15,013	8,001
Deferred tax assets	497	691
<b>Total current assets</b>	<b>191,345</b>	<b>195,720</b>
Property, plant and equipment, net	17,694	27,261
Intangible assets, net	10,502	5,733
Deferred acquisition costs	12,529	-
Other long-term assets	18,174	8,002
<b>Total assets</b>	<b>\$250,244</b>	<b>\$236,716</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 30,448	\$ 22,931
Accrued payroll and related expenses	9,889	6,201
Accrued sales and other taxes	7,427	7,781
Product warranty liabilities	1,754	2,636
Accrued other liabilities	16,152	9,603
Deferred revenue	5,497	2,185
Income taxes payable	519	2,460
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Total current liabilities	71,686	53,797
Deferred tax liabilities, net	620	380
Other long-term liabilities	3,437	3,608
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Total liabilities	75,743	57,785
Stockholders' equity	174,501	178,931
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Total liabilities and stockholders' equity	\$250,244	\$236,716

HYPERCOM CORPORATION  
STATEMENTS OF CASH FLOWS  
(Unaudited)

(Amounts in thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
Cash flows from continuing operations:				
Net income (loss) from continuing operations	\$ (47)	\$ (2,735)	\$ (8,575)	\$ 4,737
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,483	2,190	9,156	7,872
Acquired in-process research and development	-	1,000	-	1,000
Amortization of deferred financing costs	-	-	-	4
Amortization of discounts on short-term investments	(59)	(313)	(844)	(1,303)
Provision for doubtful accounts	1,290	211	2,115	826
Provision for excess and obsolete inventory	1,012	712	8,074	2,342
Provision for warranty and other product charges	384	214	2,328	125
Deferred income tax				

benefit (provision)	400	(489)	434	(530)
Non-cash share-based compensation expense	811	1,564	1,920	6,253
Foreign currency (gains) losses	(853)	48	(2,416)	35
Loss (gain) on sale of real property	-	5	(3,796)	(2,953)
Other non-cash	31	60	509	324
Changes in operating assets and liabilities, net	2,509	(9,107)	4,944	(25,963)
Net cash provided by (used in) operating activities	7,961	(6,640)	13,849	(7,231)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(2,162)	(1,919)	(7,481)	(6,434)
Proceeds from the sale of real property	-	-	16,250	5,190
Cash paid for acquisitions, net of cash acquired	-	(8,319)	(12,707)	(8,319)
Cash deposit for pending acquisition of Thales e-Transactions business	(10,368)	-	(10,368)	-
Software development costs capitalized	(232)	-	(1,392)	(787)
Net decrease (increase) in restricted cash	30	(12)	(37)	(201)
Purchase of short-term investments	(14,949)	(66,710)	(141,006)	(295,054)
Proceeds from the sale or maturity of short-term investments	18,400	72,805	184,090	307,080
Net cash provided by (used in) investing activities	(9,281)	(4,155)	27,349	1,475
Cash flows from financing activities:				
Repayments of bank notes payable and other debt instruments	(1)	(10)	(6)	(8,364)
Debt issuance cost	(100)	-	(100)	-
Proceeds from issuance of common stock	389	258	933	6,651
Purchase of treasury stock	-	-	-	(10,740)
Net cash provided by (used in) financing activities	288	248	827	(12,453)
Effect of exchange rate changes on cash	209	132	716	469
Net increase (decrease) in cash flows from continuing operations	(823)	(10,415)	42,741	(17,740)

Net cash provided by (used in) operating activities - discontinued operations	-	(339)	(6)	3,853
Net cash provided by investing activities - discontinued operations	-	-	-	12,137
Cash and cash equivalents, beginning of period	77,748	44,944	34,190	35,940
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Cash and cash equivalents, end of period	\$ 76,925	\$ 34,190	\$ 76,925	\$ 34,190
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SOURCE: Hypercom Corporation