

HYPERCOM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	2009	2008	2009	2008
Net revenue:				
Products	\$ 79,672	\$ 92,774	\$ 137,577	\$ 142,358
Services	27,157	31,406	52,867	52,327
Total net revenue	106,829	124,180	190,444	194,685
Costs of revenue:				
Products	50,291	64,653	89,201	97,903
Services	21,703	24,886	41,414	42,498
Amortization of purchased intangible assets	706	1,058	1,381	1,141
Total costs of revenue	72,700	90,597	131,996	141,542
Gross profit	34,129	33,583	58,448	53,143
Operating expenses:				
Research and development	10,581	14,892	21,387	21,004
Selling, general and administrative	18,941	24,803	37,520	40,314
Amortization of purchased intangible assets	1,500	1,960	2,929	2,092
Total operating expenses	31,022	41,655	61,836	63,410
Operating income (loss)	3,107	(8,072)	(3,388)	(10,267)
Interest income	52	322	129	1,119
Interest expense	(2,526)	(2,512)	(4,976)	(2,512)
Foreign currency gain (loss)	627	(254)	(70)	(205)
Other income	309	70	321	149
Income (loss) before income taxes and discontinued operations	1,569	(10,446)	(7,984)	(11,716)
Provision for income taxes	(311)	(673)	(752)	(10)
Income (loss) before discontinued operations	1,258	(11,119)	(8,736)	(11,726)
Income (loss) from discontinued operations	(3)	224	66	499
Net income (loss)	\$ 1,255	\$ (10,895)	\$ (8,670)	\$ (11,227)
Basic and diluted loss per share:				
Income (loss) before discontinued operations	\$ 0.02	\$ (0.21)	\$ (0.16)	\$ (0.22)
Income from discontinued operations	-	0.01	-	0.01
Basic and diluted income (loss) per share	\$ 0.02	\$ (0.20)	\$ (0.16)	\$ (0.21)
Weighted average shares used to calculate income (loss) per share:				
Basic	53,514,573	53,342,947	53,459,082	53,283,760
Diluted	53,748,345	53,342,947	53,459,082	53,283,760

HYPERCOM CORPORATION
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	June 30, 2009	December 31, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,544	\$ 35,978
Short-term investments	-	499
	83,292	96,986
Current portion of net investment in sales-type leases	7,741	9,915
Inventories	31,092	31,681
Prepaid expenses and other current assets	8,488	7,106
Deferred tax assets	1,000	1,320
Total current assets	172,157	183,485
Property, plant and equipment, net	25,881	26,870
Net investment in sales-type leases	6,172	4,869
Intangible assets, net	52,721	57,311
Goodwill	26,784	26,715
Other long-term assets	7,517	7,050
Total assets	\$ 291,232	\$ 306,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 37,047	\$ 52,929
Accrued payroll and related expenses	15,923	16,619
Accrued sales and other taxes	6,204	7,709
Product warranty liabilities	6,666	6,597
Restructuring liabilities	8,897	7,724
Accrued other liabilities	21,516	22,866

Deferred revenue	14,212	12,177
Deferred tax liability	3,685	4,828
Income taxes payable	7,360	5,201
Total current liabilities	121,510	136,650
Long-term debt	53,327	48,769
Deferred tax liabilities, net	16,250	15,999
Other long-term liabilities	11,874	11,094
Total liabilities	202,961	212,512
Stockholders' equity	88,271	93,788
Total liabilities and stockholders' equity	\$ 291,232	\$ 306,300

HYPERCOM CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cash flows from continuing operations:				
Net income (loss) from continuing operations	\$ 1,258	\$ (11,119)	\$ (8,736)	\$ (11,726)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:				
Depreciation and amortization	2,352	2,605	4,837	4,917
Amortization of purchased intangibles	2,206	3,018	4,310	3,233
Interest conversion to debt	1,656	1,500	3,271	1,500
Amortization of debt issuance costs	32	32	64	32
Amortization of discount on notes payable	772	915	1,475	915
Amortization of discounts on short-term investments	-	(20)	-	(58)
Provision (reversal) for doubtful accounts	123	143	1,486	(1,000)
Provision for excess and obsolete inventory	725	624	1,100	1,289
Provision for warranty and other product charges	1,341	1,345	2,479	1,840
Deferred income tax benefit (provision)	(571)	2,415	(575)	4,007
Non-cash share-based compensation	457	835	1,131	1,753
Foreign currency losses (gains)	(891)	169	(1,429)	4
Non-cash write-off of intangibles and other assets	737	409	1,082	451
Changes in operating assets and liabilities, net	(42)	(4,064)	(3,649)	10,600
Net cash provided by (used in) operating activities	10,155	(1,193)	6,846	17,757
Cash flows from investing activities:				
Purchase of property, plant and equipment	(2,641)	(1,777)	(3,898)	(3,042)
Cash paid for acquisitions, net of cash acquired	-	(112,825)	(37)	(114,898)
Software development costs capitalized	(248)	(28)	(248)	(57)
Purchase of short-term investments	-	(16,082)	(1,376)	(31,051)
Proceeds from the sale or maturity of short-term investments	-	15,699	1,875	32,075
Net cash used in investing activities	(2,889)	(115,013)	(3,684)	(116,973)
Cash flows from financing activities:				
Borrowing in revolving line of credit	-	-	7,800	-
Repayments of bank notes payable and other debt instruments	-	(433)	(7,985)	(434)
Debt issuance costs	-	(562)	-	(687)
Proceeds from long term debt	-	60,000	-	60,000
Proceeds from issuance of common stock	36	36	90	602
Net cash provided (used in) by financing activities	36	59,041	(95)	59,481
Effect of exchange rate changes on cash	2,057	(176)	1,363	397
Net (decrease) increase in cash flows from continuing operations	9,359	(57,341)	4,430	(39,338)
Net cash provided by operating activities - discontinued operations	90	121	136	288
Cash and cash equivalents, beginning of period	31,095	95,095	35,978	76,925
Cash and cash equivalents, end of period	\$ 40,544	\$ 37,875	\$ 40,544	\$ 37,875

HYPERCOM CORPORATION

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
GAAP net income (loss)	\$ 1,255	\$ (10,895)	\$ (8,670)	\$ (11,227)
Restructuring charges included in:				
Costs of revenue	859	1,755	859	2,558
Operating expenses	1,046	-	1,046	492

Stock-based compensation included in:

Costs of revenue	56	39	124	3
Operating expenses	401	796	1,007	1,750
Amortization of purchased intangibles included in:				
Costs of revenue	706	1,058	1,381	1,141
Operating expenses	1,500	1,960	2,929	2,092
Professional fees incurred related to TeT Acquisition included in:				
Operating expenses	-	1,726	-	3,095
Income tax effect	(178)	-	(178)	-
Non-GAAP net income (loss)	\$ 5,645	\$ (3,561)	\$ (1,502)	\$ (96)
Non-GAAP diluted income (loss) per share	\$ 0.11	\$ (0.07)	\$ (0.03)	\$ (0.00)
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Operating income (loss)	\$ 3,107	\$ (8,072)	\$ (3,388)	\$ (10,267)
Depreciation and amortization	4,558	5,623	9,147	8,150
Restructuring charges	1,905	1,755	1,905	3,050
Professional fees incurred related to TeT Acquisition	-	1,726	-	3,095
Stock based compensation	457	835	1,131	1,753
Adjusted EBITDAS	\$ 10,027	\$ 1,867	\$ 8,795	\$ 5,781
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
GAAP net revenue	\$ 106,829	\$ 124,180	\$ 190,444	\$ 194,685
TeT Q1 pro forma revenue	-	-	-	43,144
Constant currency rate adjustment	13,094	-	26,618	-
Non-GAAP net revenue	\$ 119,923	\$ 124,180	\$ 217,062	\$ 237,829