

HYPERCOM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
(Amounts in thousands, except per share data)	2007	2006
Net revenue:		
Products	\$48,191	\$46,840
Services	16,636	14,129
Total net revenue	64,827	60,969
Costs of revenue:		
Products	29,815	27,526
Services	14,284	9,924
Total costs of revenue	44,099	37,450
Gross profit	20,728	23,519
Operating expenses:		
Research and development	7,329	5,994
Selling, general and administrative	16,172	14,615
Total operating expenses	23,501	20,609
Income (loss) from continuing operations	(2,773)	2,910
Interest income, net	839	778
Foreign currency loss	(618)	(224)
Other income (expense)	4	(16)
Income (loss) before income taxes and discontinued operations	(2,548)	3,448
Provision for income taxes	(667)	(659)
Income (loss) before discontinued operations	(3,215)	2,789
Income from discontinued operations	690	349
Net income (loss)	\$(2,525)	\$3,138
Basic and diluted income (loss) per share:		
Income (loss) before discontinued operations	\$(0.06)	\$0.05
Income from discontinued operations	0.01	0.01
Basic and diluted income (loss) per share	\$(0.05)	\$0.06
Weighted average common shares:		
Basic	53,181,716	52,804,000
Diluted	53,181,716	53,730,873

HYPERCOM CORPORATION
CONSOLIDATED BALANCE SHEETS

March 31, December 31,

(Amounts in thousands)	2007	2006
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$26,623	\$34,190
Restricted cash	171	201
Short-term investments	37,339	47,228
Accounts receivable, net	56,992	52,777
Inventories	55,726	52,632
Prepaid expenses and other current assets	10,530	8,001
Deferred tax assets	921	691
Assets held for sale	11,742	-
Total current assets	200,044	195,720
Property, plant and equipment, net	16,600	27,261
Intangible assets, net	11,620	5,733
Other long-term assets	15,719	8,002
Total assets	\$243,983	\$236,716

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$26,030	\$22,931
Accrued payroll and related expenses	7,347	6,201
Accrued sales and other taxes	7,761	7,781
Product warranty liabilities	2,486	2,636
Accrued other liabilities	11,813	9,603
Deferred revenue	4,273	2,185
Income taxes payable	2,133	2,460
Total current liabilities	61,843	53,797
Deferred tax liabilities, net	594	380
Other long-term liabilities	3,483	3,608
Total liabilities	65,920	57,785
Stockholders' equity	178,063	178,931
Total liabilities and stockholders' equity	\$243,983	\$236,716

HYPERCOM CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in thousands)	Three Months Ended March 31,	
	2007	2006
Cash flows from continuing operations:		
Net income (loss) from continuing operations	\$(3,215)	\$2,789
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,061	1,931
Amortization of deferred financing costs	-	4
Amortization of discounts on short-term investments	(273)	(308)
Provision for doubtful accounts	413	400
Provision for excess and obsolete inventory	518	707
Provision for warranty and other product charges	296	181

Deferred income tax benefit	(16)	(34)
Non-cash share-based compensation	1,738	867
Foreign currency (gains) losses	334	(359)
Other non-cash write-off of intangibles and other assets	2	32
Changes in operating assets and liabilities, net	(5,037)	3,715
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Net cash provided by (used in) operating activities	(3,179)	9,925
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Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,332)	(2,055)
Cash paid for acquisitions, net of cash acquired	(12,038)	-
Software development costs capitalized	(360)	-
Net increase in restricted cash	30	-
Purchase of short-term investments	(43,473)	(66,848)
Proceeds from the sale or maturity of short-term investments	53,635	64,000
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Net cash used in investing activities	(4,538)	(4,903)
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Cash flows from financing activities:		
Repayments of bank notes payable and other debt instruments	(3)	(92)
Proceeds from issuance of common stock	104	3,211
Purchase of treasury stock	-	(671)
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Net cash provided by financing activities	101	2,448
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Effect of exchange rate changes on cash	49	255
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Net increase (decrease) in cash flows from continuing operations	(7,567)	7,725
Net cash provided by operating activities - discontinued operations	-	3,246
Cash and cash equivalents, beginning of period	34,190	35,940
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Cash and cash equivalents, end of period	\$26,623	\$46,911
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