Annual General Meeting of Hoeft & Wessel AG
in Hannover / Germany on 15 June 2011

Speech by Hansjoachim Oehmen,
Chairman of the Board of Management

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Introduction

[Salutation]
General sentiment in the business community is good; companies with a public listing are paying out substantial dividends. Nevertheless, the number of shareholders in Germany is declining.

In the second half of 2010 alone, almost half a million investors in Germany abandoned the equities market. According to the German Equities Institute, at the end of 2010 only 5.3 per cent of the population were directly invested in shares – almost as few as in the middle of the financial markets crisis.

I will explain towards the end of my address whether this trend has also impacted on the shareholder structure of Hoeft & Wessel AG. First of all, I would like to deal with:

- business development in 2010
- the dividend
- the streamlining of the Group's structure
- our company's outlook

and, finally, with

- Hoeft & Wessel stock.

Business development in the year 2010

Hoeft & Wessel AG can look back on a regular financial year 2010.

After the first three quarters, this did not appear to be the case, however. Supply bottlenecks for electronic components led to production delays and, therefore, to shifts in sales revenues. We made up for all this in the extremely robust fourth quarter, enabling us to boost our total turnover slightly by 2 per cent for fiscal 2010.

Sales revenues per quarter illustrate quite aptly that in terms of business trends, the year 2010 was once again typical for Hoeft & Wessel, with turnover rising towards the end of the year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up by as much as 6 per cent compared with fiscal 2009.

Our earnings figures were adjusted to take account of temporary currency-related effects. These temporary currency effects merely reflect a valuation of foreign currency hedges at the end of the period under review. This is stipulated accordingly by the IFRS accounting standards. Since there were no such valuations in previous years, the adjustment now carried out in particular serves to facilitate a better comparison with previous year figures.

Adjusted earnings before interest and taxes (EBIT) rose by a substantial 23 per cent. This indicates a further advance as regards profitability.

The fact that Group earnings more than doubled is due to a non-recurring tax effect. In the year 2010, we were able to capitalise deferred taxes. This contributed approximately EUR 1.3 million to our operating result. However, even without this one-off effect, Group earnings certainly are impressive.

Business trends varied substantially within the three business divisions.

In 2010, Almex succeeded in following up its extremely positive development recorded in previous years. Ticketing systems today account for more than half of total sales generated by the Hoeft & Wessel Group. The operating result in this business division was boosted considerably during the last financial year, making a key contribution to the good earnings figures of Hoeft & Wessel AG. With a return on sales of 13 per cent, this division overachieved its internal parameter fixed at 10 per cent.

The situation is completely different in the Skeye division, which essentially provides a product portfolio for the Auto ID segment – i.e. mobile terminals for capturing and processing data. While sales were boosted by 6 per cent in fiscal 2010, the operating result once again turned out worse than in the preceding year.

Business trends of the UK subsidiary were slightly better in 2010 than in 2009. As a result, the former “problem child” of the Hoeft & Wessel Group appears to be positioned on a sustainable basis. The first ever payment of a dividend to the parent company is an indicator in this regard.

Personnel expenditure in recent years has remained more or less constant, amounting to approximately 25 per cent of turnover. This is because we predominantly outsource production, which means that personnel expenditure is essentially incurred in the field of R&D, distribution, etc. Accordingly, we can generate more sales on roughly the same personnel costs. In this context, minimal increases can result from the extension of our international presence.

Looking at our contribution margin, in the year 2010 we succeeded in reversing the downward trend in previous years, and we aim to become more profitable in this respect. In 2010, the contribution margin amounted to 44.3 per cent.

Due to an increase in trade receivables, our total assets increased by roughly EUR 2.2 million and bank balances were up by approximately EUR 1.9 million. In 2011, we anticipate a declining tendency in these categories.

Inventories are slightly higher because we had to arrange for units of equipment to be manufactured as early as 2010 so that they could be delivered and installed on time this year. Our target here remains at EUR 25 million.

On the liabilities side, our equity capital was up by EUR 2.8 million in absolute terms, or 11 per cent. The equity ratio improved from 36 to 39 per cent. Net financial liabilities were reduced by roughly EUR 2 million.

Our cash flow also developed well in the year 2010. The operating cash flow increased to EUR 7.8 million. This enabled loans to be repaid and the disbursement of a dividend – a proposal that will be put to the vote today.

We again managed to boost our order intake in 2010. The book-to-bill ratio, i.e. the ratio of order receipts to turnover, remained at 0.9. However, the order portfolio declined as a result of a large-scale order placed by German Rail having been finalised. We will arrange for replacements such as the large-scale contracts awarded from Geneva and other new orders still to be acquired.

Dividend

The appropriate participation of owners / shareholders in our success is an important corporate objective for us. At the Annual General Meeting held a year ago, you were able to vote for the first time ever on the payment of a dividend.

We pursue a sustainable dividend policy and, accordingly, we want to enable our shareholders also to participate in our company’s success in future. As a result, we have proposed a dividend of 10 cents per share at today's Annual General Meeting. This is a 25 per cent increase in comparison with last year. In relation to the share price at the end of 2010, this represents a dividend yield of 2.6 per cent. This is a good yield compared to our peer group.

Since the dividend will be paid out tax-free, for domestic shareholders this corresponds to a comparable gross return of approximately 3.4 per cent. The dividend constitutes a reliable participation in the success of a company, particularly during times of turmoil on the stock markets.

In future, it is unlikely that we will be able to maintain these rates of increase in our dividend. However, in line with our long-term oriented corporate policy, we intend to pay out roughly one third of Group earnings to you, ladies and gentlemen – our shareholders.

<u>Streamlining the Group's structure</u>

We plan to streamline our Group's structures; as a first step, we have downsized our Board of Management from three to two persons.

The following reasons gave rise to this:

1. For a company of Hoeft & Wessel's size, a Board of Management consisting of two persons is sufficient.
2. The streamlining of the Group's hierarchical structures results in a new, cross-divisional allocation of responsibilities for the downsized Board of Management and for second-tier management. In recent years, the level of separation was too strong in this regard.
3. This will also lead to even closer cooperation between the two main locations of Hannover and Swindon.
4. The resultant synergies and the avoidance of duplication are expected to contribute to a further improvement in the operating result.

The streamlining of the Group’s structures also supports the ongoing internationalisation of Hoeft & Wessel... and this brings me to the outlook for our company.

Outlook

We got off to a good start to the year 2011. Sales were up by 31 per cent in the first quarter, and the operating result, at -EUR 400,000, turned out considerably better than in the first quarter of 2010. For fiscal 2011 as a whole, we anticipate more than EUR 96 in sales revenues and an operating result in excess of EUR 3 million.

Provided economic development does not undergo a downturn, we plan to continue our growth in 2012.

In the process, internationalisation will become increasingly important. We have already installed systems or delivered equipment in more than 30 countries. We are particularly strong in our two home markets, namely Germany and the United Kingdom. However, we have also managed to secure a respectable position in Switzerland.

In Germany, we are in the lead in the field of mobile data capture in retail outlets and in the field of E-Ticketing. We have a high degree of brand recognition in ticket sales and entrance control systems, check-in terminals at airports, mobile terminals in the field service and logistics as well as mobile cash registers.

In the United Kingdom you will find many car park terminals from Hoeft & Wessel – over 6,000 units in London alone. We are well known in the field of ticketing systems, including E-Ticketing. Finally, in the United Kingdom our service expertise established there over the past several years plays an important part: one example of this is the service for the bus ticketing system in London.

In Switzerland, we are in leading position via a partner organisation for car park terminals and are well known for ticketing systems as well as mobile devices in the field service – for instance at Swiss Post.

We are already well positioned in Europe but plan to continue expanding here, as shown by France for example, where an experienced sales expert was recently engaged by us on site.

We have continued to develop our product range in a targeted manner in order to extend our business operations, particularly in other international markets such as Latin America.

In the field of ticketing, the new compact car park terminal ranks in top position, especially the solar-powered version. With the almex.midi, we succeeded in entering the market for stationary terminals in the United Kingdom.

Another device developed especially for the United Kingdom but also for the emerging markets is the new business line version of the on-board computer featuring a ticket printer of the almex.optima production series. We hope this version will develop into a similar bestseller as the comfort line version did.

In the field of mobile terminals, the skeye.dart production series is becoming increasingly significant. A new version of the successful skeye.allegro is at the development stage at present.

In the parking segment, we have new products on offer for leasing, telephone payments and full service – referred to as “plus” – to enable our customers in the United Kingdom in particular to invest in parking facilities in spite of austerity measures that happen to be in place. A new, even more favourably priced car park terminal is under development at present.

We plan to grow further by opening up new international markets and selling products especially developed to meet local requirements at each location. To further our internationalisation drive, we are further expanding our sales via distribution partners. This applies to all three business segments at present.

In future, we can also perceive offering several product groups in specific countries.

As you can see, we are focused on generating additional turnover. However, as always, we remain conservative as far as our forecasts are concerned.

Our aim is to achieve a constant EBIT margin of roughly 8 per cent. Once we have accomplished this, the price of Hoeft & Wessel stock is likely to be considerably higher than it is right now... and this brings me to our company's stock.

<u>The Company share</u>

In the beginning, I mentioned the declining number of shareholders in Germany. Even if we do not know the exact figures, this trend is also likely to have an impact on the shareholder structure of Hoeft & Wessel AG. The free float of Hoeft & Wessel used to be accounted for by private shareholders, some of whom have invested in our stock for a long time. We expect shares to shift gradually to other shareholders, including institutional investors, for instance.

Ultimately, constant improvements in sales, rising profitability and the sales impetus generated by the process of internationalisation that has been initiated are likely to attract an increasing number of new investors.

The price of Hoeft & Wessel shares has increased by roughly 10 per cent since the beginning of 2010, roughly in line with the Technology All

Share Index. The DAX outperformed this index in the period under review.

Since the end of April, the share price of Hoeft & Wessel has been above EUR 4 for quite some time. This reflects increasing trust in our stock. Rising retail sales this year underpin this picture along with our positive share price trend. Analysts also exhibit positive sentiment about our stock and expect even higher share prices in future.
Our stock is well on its way to a successful development. The payment of a dividend has certainly made a contribution in this regard.

We can safely assume that we will also be able to pay a dividend for the current financial year.

Thank you very much indeed for your attention.