

EMRISE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands except per share amounts)

	Three Months Ended <u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Net sales	\$11,922	\$10,734
Cost of sales	<u>8,074</u>	<u>6,350</u>
Gross profit	3,848	4,384
Operating expenses:		
Selling, general and administrative	3,736	3,767
Engineering and product development	<u>710</u>	<u>722</u>
Loss from operations	(598)	(105)
Other (expense) income		
Interest expense	(150)	(124)
Interest income	19	25
Other income	<u>65</u>	<u>8</u>
Loss before income taxes	(664)	(196)
Income tax expense	<u>128</u>	<u>126</u>
Net loss	<u><u>\$(792)</u></u>	<u><u>\$(322)</u></u>
Loss per share		
Basic	<u><u>\$(0.02)</u></u>	<u><u>\$(0.01)</u></u>
Diluted	<u><u>\$(0.02)</u></u>	<u><u>\$(0.01)</u></u>
Outstanding shares		
Basic	<u><u>38,110</u></u>	<u><u>37,678</u></u>
Diluted	<u><u>38,110</u></u>	<u><u>37,678</u></u>

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EMRISE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

ASSETS	March 31, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	\$ 3,269	\$ 3,802
Accounts receivable, net of allowances for doubtful accounts of \$287 and \$391 at March 31, 2007 and December 31, 2006, respectively	8,503	9,220
Inventories, net of allowances for inventory obsolescence of \$5,892 and \$5,657 at March 31, 2007 and December 31, 2006, respectively	10,975	10,575
Deferred income taxes	730	726
Prepaid and other current assets	1,180	1,082
Total current assets	24,657	25,405
Property, plant and equipment, net	2,193	2,245
Goodwill	12,975	12,995
Intangible assets other than goodwill, net of accumulated amortization of \$840 and \$443 at March 31, 2007 and December 31, 2006, respectively	3,452	3,546
Other assets	697	594
	\$ 43,974	\$ 44,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowings under lines of credit	\$ 4,286	\$ 4,310
Current portion of long-term debt	503	516
Notes payable to stockholders, current portion	500	500
Accounts payable	4,521	4,640
Income taxes payable	621	519
Accrued expenses	5,592	5,309
Total current liabilities	16,023	15,794
Long-term debt, less current portion	420	533
Notes payable to stockholders, less current portion	1,125	1,250
Deferred income taxes	1,053	1,053
Other liabilities	953	982
Total liabilities	19,574	19,612
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 10,000,000 shares, zero shares issued and outstanding		
Common stock, \$0.0033 par value. Authorized 150,000,000 shares; issued and outstanding 38,137,000 shares and 38,082,000 shares at March 31, 2007 and December 31, 2006, respectively	126	125
Additional paid-in capital	43,124	43,083
Accumulated deficit	(19,525)	(18,733)
Accumulated other comprehensive income	675	698
Total stockholders' equity	24,400	25,173
	\$ 43,974	\$ 44,785