

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

ASSETS	December 31, 2008	December 31, 2007
Current assets:		
Cash and cash equivalents	\$ 3,421	\$ 4,764
Accounts receivable, net of allowances for doubtful accounts of \$501 at December 31, 2008 and \$345 at December 31, 2007	11,520	9,406
Inventories, net	13,716	11,664
Current deferred tax assets	365	200
Prepaid and other current assets	1,332	1,617
Total current assets	30,354	27,651
Property, plant and equipment, net	3,190	2,227
Goodwill	9,657	13,129
Intangible assets other than goodwill, net	6,787	3,269
Deferred tax assets	2,335	617
Other assets	1,200	1,287
Total assets	\$ 53,623	\$ 48,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,063	\$ 4,440
Accrued expenses	7,094	5,435
Line of credit	4,084	-
Current portion of long-term debt	5,164	71
Notes payable to stockholders, current portion	542	521
Income taxes payable	479	712
Other current liabilities	357	357
Total current liabilities	22,783	11,536
Long-term line of credit	-	3,957
Long-term debt, net of discount of \$980 and \$1,246, respectively	13,502	4,329
Notes payable to stockholders, less current portion	250	750
Deferred income taxes	2,203	904
Other liabilities	881	1,158
Total liabilities	39,619	23,134
Commitments and contingencies (See Note 16)		
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; 10,204,000 and 10,155,000 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	126	126
Additional paid-in capital	44,806	44,527
Accumulated deficit	(28,101)	(20,661)
Accumulated other comprehensive income (loss)	(2,827)	1,054
Total stockholders' equity	14,004	25,046
Total liabilities and stockholders' equity	\$ 53,623	\$ 48,180

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

	Years Ended	
	December 31,	
	2008	2007
Net sales	\$ 59,507	\$ 51,345
Cost of sales	36,385	33,995
Gross profit	23,122	17,350
Operating expenses:		
Selling, general and administrative	16,975	15,392
Engineering and product development	3,053	2,792
Loss on asset impairment	6,584	-
Total operating expenses	26,612	18,184
Loss from operations	(3,490)	(834)
Other income (expense):		
Interest income	117	155
Interest expense	(3,224)	(848)
Loss on early extinguishment of debt	-	(196)
Other, net	(523)	529
Total other income (expense), net	(3,630)	(360)
Loss before income taxes	(7,120)	(1,194)
Income tax provision	320	734
Net loss	\$ (7,440)	\$ (1,928)
Loss per share:		
Basic	\$ (0.73)	\$ (0.19)
Diluted	\$ (0.73)	\$ (0.19)
Weighted average shares outstanding		
Basic	10,204	10,180
Diluted	10,204	10,180