

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

ASSETS	September 30, 2008	December 31, 2007
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 5,267	\$ 4,764
Accounts receivable, net of allowances for doubtful accounts of \$493 at September 30, 2008 and \$345 at December 31, 2007	11,386	9,406
Inventories, net	13,159	11,664
Current deferred tax assets	649	200
Prepaid and other current assets	1,609	1,617
Total current assets	32,070	27,651
Property, plant and equipment, net	3,560	2,227
Goodwill	16,275	13,129
Intangible assets other than goodwill, net	7,876	3,269
Deferred tax assets	610	617
Other assets	1,193	1,287
Total assets	\$ 61,584	\$ 48,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,465	\$ 4,440
Accrued expenses	5,681	5,435
Current portion of long-term debt	4,498	71
Notes payable to stockholders, current portion	500	521
Income taxes payable	571	712
Other current liabilities	357	357
Total current liabilities	16,072	11,536
Long-term line of credit	5,772	3,957
Long-term debt, net of discount of \$1,108 and \$1,264, respectively	14,162	4,829
Notes payable to stockholders, less current portion	375	750
Deferred income taxes	1,023	904
Other liabilities	1,125	1,158
Total liabilities	38,529	23,134
Commitments and contingencies (See Note 7)		
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; 38,254,000 and 38,254,000 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	126	126
Additional paid-in capital	44,771	44,527
Accumulated deficit	(21,480)	(20,661)
Accumulated other comprehensive income	(362)	1,054
Total stockholders' equity	23,055	25,046
Total liabilities and stockholders' equity	\$ 61,584	\$ 48,180

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net Sales	\$ 15,687	\$ 12,809	\$ 41,983	\$ 36,798
Cost of Sales	9,379	8,798	26,277	24,863
Gross profit	6,308	4,011	15,706	11,935
Operating expenses:				
Selling, general and administrative	4,058	3,796	12,039	11,381
Engineering and product development	659	692	2,105	2,067
Total operating expenses	4,717	4,488	14,144	13,448
Income (loss) from operations	1,591	(477)	1,562	(1,513)
Other income (expense):				
Interest income	38	40	79	95
Interest expense	(816)	(190)	(2,004)	(510)
Other, net	(167)	314	(64)	479
Total other income (expense), net	(945)	164	(1,989)	64
Loss before income taxes	646	(313)	(427)	(1,449)
Income tax provision	313	173	393	452
Net Income (Loss)	<u>\$ 333</u>	<u>\$ (486)</u>	<u>\$ (820)</u>	<u>\$ (1,901)</u>
Income (Loss) per share:				
Basic	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>
Weighted average shares outstanding				
Basic	<u>38,254</u>	<u>38,193</u>	<u>38,254</u>	<u>38,163</u>
Diluted	<u>38,451</u>	<u>38,193</u>	<u>38,254</u>	<u>38,163</u>