

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	\$ 12,067	\$ 10,817	\$ 23,989	\$ 21,551
Cost of sales	7,991	7,025	16,065	13,375
Gross profit	<u>4,076</u>	<u>3,792</u>	<u>7,924</u>	<u>8,176</u>
Operating expenses:				
Selling, general and administrative	3,849	3,698	7,585	7,465
Engineering and product development	665	892	1,375	1,614
Total operating expenses	<u>4,514</u>	<u>4,590</u>	<u>8,960</u>	<u>9,079</u>
Loss from operations	(438)	(798)	(1,036)	(903)
Other income (expense):				
Interest income	36	21	55	46
Interest expense	(170)	(93)	(320)	(217)
Other, net	100	(44)	165	(36)
Total other income (expense), net	<u>(34)</u>	<u>(116)</u>	<u>(100)</u>	<u>(207)</u>
Loss before income taxes	(472)	(914)	(1,136)	(1,110)
Income tax provision (benefit)	151	96	279	222
Net Loss	<u>\$ (623)</u>	<u>\$ (1,010)</u>	<u>\$ (1,415)</u>	<u>\$ (1,332)</u>
Earnings per share:				
Basic	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average shares outstanding				
Basic	<u>38,141</u>	<u>38,082</u>	<u>38,130</u>	<u>37,880</u>
Diluted	<u>38,141</u>	<u>38,082</u>	<u>38,130</u>	<u>37,880</u>

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

	June 30, 2007	December 31, 2006
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 2,824	\$ 3,802
Accounts receivable, net of allowances for doubtful accounts of \$297 at June 30, 2007 and \$391 at December 31, 2006	8,224	9,220
Inventories	11,473	10,575
Deferred income taxes	729	726
Prepaid and other current assets	1,227	1,082
Total current assets	24,477	25,405
Property, plant and equipment, net	2,309	2,245
Goodwill	13,091	12,995
Intangible assets other than goodwill	3,384	3,546
Other assets	743	594
Total assets	\$ 44,004	\$ 44,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,283	\$ 4,640
Accrued expenses	5,659	5,309
Borrowings under lines of credit	4,017	4,310
Current portion of long-term debt	501	516
Notes payable to stockholders, current portion	500	500
Income taxes payable	775	519
Total current liabilities	16,735	15,794
Long-term debt	301	533
Notes payable to stockholders, less current portion	1,000	1,250
Deferred income taxes	1,053	1,053
Other liabilities	917	982
Total liabilities	20,006	19,612
Commitments and contingencies		
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; 38,144,000 and 38,082,000 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	126	125
Additional paid-in capital	43,149	43,083
Accumulated deficit	(20,149)	(18,733)
Accumulated other comprehensive income	872	698
Total stockholders' equity	23,998	25,173
Total liabilities and stockholders' equity	\$ 44,004	\$ 44,785