

**eOn Communications Corporation**  
**Condensed Consolidated Statements of Operations**  
(Dollars in thousands, except per share data)  
**Unaudited**

	<b>For the Years Ended July 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>REVENUE</b>		
Net revenue	\$ 12,014	\$ 12,603
<b>COST OF REVENUE</b>		
Cost of revenue	3,967	4,862
Gross profit	8,047	7,741
<b>OPERATING EXPENSE</b>		
Selling, general and administrative	4,747	6,638
Research and development	2,565	3,284
Other (income) expense, net	60	56
Total operating expense	7,372	9,978
Income (loss) from continuing operations	675	(2,237)
Interest income, net	186	97
Income (loss) from continuing operations before income taxes	861	(2,140)
Income tax expense	-	-
Income (loss) from continuing operations after income taxes	861	(2,140)
<b>DISCONTINUED OPERATIONS</b>		
Income from discontinued operations, net of tax and minority interest of \$289 and \$208, respectively	256	189
Gain on disposal of discontinued operations, net of tax of \$20	303	-
Income from discontinued operations	559	189
Income (loss) before extraordinary item	1,420	(1,951)
<b>EXTRAORDINARY ITEM</b>		
Extraordinary gain, net of income taxes of \$0	217	-
Net income (loss)	\$ 1,637	\$ (1,951)
<b>Weighted average shares outstanding</b>		
Basic	13,339	12,853
Diluted	13,426	12,853
<b>Basic income (loss) per share:</b>		
From continuing operations after income taxes	\$ 0.06	\$ (0.16)
From discontinued operations, net of tax and minority interest	0.04	0.01
From extraordinary gain, net of income taxes	0.02	-
Basic income (loss) per share	\$ 0.12	\$ (0.15)
<b>Diluted income (loss) per share:</b>		
From continuing operations after income taxes	\$ 0.06	\$ (0.16)
From discontinued operations, net of tax and minority interest	0.04	0.01
From extraordinary gain, net of income taxes	0.02	-
Diluted income (loss) per share	\$ 0.12	\$ (0.15)

**eOn Communications Corporation**  
**Condensed Consolidated Balance Sheets**  
(Dollars in thousands, except share and per share amounts)

	<b>As of July 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 934	\$ 870
Marketable securities	5,750	3,600
Trade accounts receivable, net of allowance of \$372 and \$1,106, respectively	1,639	2,145
Trade accounts receivable - related party	27	19
Proceeds receivable from sale of discontinued operations	89	-
Inventories	2,167	2,155
Prepaid and other current assets	289	206
Current assets of discontinued operations	-	7,408
Total current assets	10,895	16,403
Property and equipment, net	338	434
Long-term receivable, net of allowance of \$232	153	-
Goodwill	418	21
Investments	301	-
Non-current assets of discontinued operations	-	271
Total assets	\$ 12,105	\$ 17,129
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 453	\$ 703
Trade accounts payable - related party	72	157
Deferred acquisition payment	397	914
Accrued expenses and other	1,376	1,603
Current liabilities of discontinued operations	-	4,952
Total current liabilities	2,298	8,329
Minority interest of discontinued operations	-	1,145
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, (10,000,000 shares authorized, no shares issued and outstanding)	-	-
Common stock, \$0.001 par value (50,000,000 shares authorized, 14,128,922 and 13,579,957 shares issued, respectively)	14	13
Additional paid-in capital	55,030	54,455
Treasury stock, at cost (676,900 shares)	(1,502)	(1,502)
Accumulated deficit	(43,735)	(45,372)
Accumulated other comprehensive income	-	61
Total stockholders' equity	9,807	7,655
Total liabilities and stockholders' equity	\$ 12,105	\$ 17,129