

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

| | Three Months Ended | |
|---|---------------------------|----------------|
| | October 31, | |
| | 2006 | 2005 |
| REVENUE | | |
| Net revenue | \$ 2,708 | \$ 3,172 |
| COST OF REVENUE | | |
| Cost of revenue | 943 | 1,060 |
| Gross profit | <u>1,765</u> | <u>2,112</u> |
| OPERATING EXPENSE | | |
| Selling, general and administrative | 1,057 | 1,270 |
| Research and development | 742 | 671 |
| Other expense, net | 6 | 24 |
| Total operating expense | <u>1,805</u> | <u>1,965</u> |
| Income (loss) from continuing operations | (40) | 147 |
| Interest income | 80 | 34 |
| Income from continuing operations before income taxes | <u>40</u> | <u>181</u> |
| Income tax expense | - | - |
| Income from continuing operations after income taxes | <u>40</u> | <u>181</u> |
| DISCONTINUED OPERATIONS | | |
| Income from discontinued operations, net of tax of \$36 and minority interest of \$91 | - | 107 |
| Income from discontinued operations | - | 107 |
| Income before extraordinary item | <u>40</u> | <u>288</u> |
| EXTRAORDINARY ITEM | | |
| Extraordinary gain, net of income taxes of \$0 | - | 217 |
| Net income | <u>\$ 40</u> | <u>\$ 505</u> |
| COMPREHENSIVE INCOME | | |
| Net income | \$ 40 | \$ 505 |
| Foreign currency translation adjustment | - | 8 |
| Comprehensive income | <u>\$ 40</u> | <u>\$ 513</u> |
| Weighted average shares outstanding: | | |
| Basic | 13,547 | 12,961 |
| Diluted | 13,725 | 13,039 |
| Basic income per share: | | |
| From continuing operations after income taxes | * | \$ 0.01 |
| From discontinued operations, net of tax and minority interest | - | 0.01 |
| From extraordinary gain, net of income taxes | - | 0.02 |
| Basic income per share | <u>*</u> | <u>\$ 0.04</u> |
| Diluted income per share: | | |
| From continuing operations after income taxes | * | \$ 0.01 |
| From discontinued operations, net of tax and minority interest | - | 0.01 |
| From extraordinary gain, net of income taxes | - | 0.02 |
| Diluted income per share | <u>*</u> | <u>\$ 0.04</u> |

* Less than \$0.01.

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

| | <u>October 31,</u> <u>2006</u> | <u>July 31,</u> <u>2006</u> |
|--|-----------------------------------|--------------------------------|
| | <u>(unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,012 | \$ 934 |
| Marketable securities | 6,150 | 5,750 |
| Trade accounts receivable, net of allowance of \$353 and \$372, respectively | 1,681 | 1,639 |
| Trade accounts receivable - related party | 53 | 27 |
| Proceeds receivable from sale of discontinued operations | - | 89 |
| Inventories | 2,046 | 2,167 |
| Prepaid and other current assets | 273 | 289 |
| Total current assets | <u>11,215</u> | <u>10,895</u> |
| Property and equipment, net | 318 | 338 |
| Long-term receivable, net of allowance of \$232 | 153 | 153 |
| Goodwill | 418 | 418 |
| Investments | 301 | 301 |
| Total assets | <u>\$ 12,405</u> | <u>\$ 12,105</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 437 | \$ 453 |
| Trade accounts payable - related party | 203 | 72 |
| Deferred acquisition payment | 397 | 397 |
| Accrued expenses and other | 1,430 | 1,376 |
| Total current liabilities | <u>2,467</u> | <u>2,298</u> |
| 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, 14,139,051 and 14,128,922 shares issued, respectively) | 14 | 14 |
| Additional paid-in capital | 55,121 | 55,030 |
| Treasury stock, at cost (676,900 shares) | (1,502) | (1,502) |
| Accumulated deficit | (43,695) | (43,735) |
| Total stockholders' equity | <u>9,938</u> | <u>9,807</u> |
| Total liabilities and stockholders' equity | <u>\$ 12,405</u> | <u>\$ 12,105</u> |