

For years machines have “talked” to each other in factories and across dedicated or dial-up wireline connections often referred to as “telemetry” networks. But with the explosion of wireless networks, a whole new area of cost-effective, mobile machine-to-machine (M2M) communications has been created. Numerex is at the forefront of this trend. Our industry-leading wireless data network, Cellemetry™, is the Western Hemisphere’s largest wireless data network dedicated to the delivery of wireless M2M communications for leading organizations across a broad range of industries.

More than a network, CellemetryXG™ powers and supports the entire M2M value chain—with proven application partners, certified network components, redundant network operation centers, and around-the-clock, expert customer support. What does this mean to the industry? Applications previously not practical are now easily enabled. Vending machines can remotely communicate when they run low on a particular brand of soda, thereby minimizing “truck rolls” and increasing cash receipts;

vehicles can be tracked across the country cost-effectively; and equipment at a remote construction site can be monitored without an on-site security guard so that expensive power equipment doesn’t “disappear.”

And that’s just the beginning.

Numerex directly markets and sells products and services in wireless M2M communications through its CellemetryXG™, Cellemetry®, Uplink™, VendView™, and MobileGuardian® brands. We also sell through OEMs and VARs that integrate our network and solutions into their products. In addition, Numerex provides products and services for video and data collaboration, networking, and wireline security to integrators and service providers in the telecommunications sector.

The common stock of Numerex is traded on NASDAQ under the symbol NMRX.

Dear Fellow Shareholders:

Numerex has had a successful 2004 in which we developed new products and technologies, expanded lines of business with a focus on recurring revenues, improved our financial position, strengthened our balance sheet, reduced operating expenses and maintained gross margins. Importantly, we saw the blossoming of the M2M (Machine-to-Machine) Data Communications market and the positioning of Numerex as the M2M category visionary and thought leader.

Financially, due to the work accomplished in 2004, we are on solid ground with the ability to move forward on growth initiatives. In 2004 we saw overall Numerex revenues increase from \$18.8M to \$22.8M, excluding the sale or revenues from Data1Source LLC. This is a respectable 21% increase over 2003 levels while maintaining our gross margins. We continued to focus on building recurring revenue streams in 2004 from our service offerings. Our success is reflected in a 27% increase in wireless data revenue from \$11.3M to \$14.4M. We expect the growth in wireless services and revenues to continue and accelerate in 2005 at an annualized pace of 35% to 50%. Uplink continues to expand with 2004 revenues representing an 82% increase since 2000. Finally, we ended the year cash flow positive with a positive EBITDA.

Strategically, 2004 marked a milestone year in which the market for Numerex products and services gained significant traction and heightened visibility. In short, 2004 was the year in which the M2M industry came of age. In a market of increased activity, analyst groups such as Aberdeen, Forrester, and Harbor Research, Inc. tagged M2M as a growth industry with significant opportunities. Market interest coupled with increased customer activity indicate a strong, emerging market category and confirms the potential and opportunities of M2M during the coming year for Numerex.

Customer and sales activities in 2004 demonstrated the viability of several new product and service offerings.

Specifically, we accomplished:

- Continued growth for CellemetryXG™ wireless data products and services. Our overall Cellemetry®-based M2M service revenues increased 27% for the year, reflecting a positive trend in wireless network market activity and a robust opportunity pipeline.
- A major deployment of VendView™ for Embotelladora de Toluca, a regional Coca-Cola bottler in Cuernavaca, Mexico. Numerex's wireless vending service continues its successful launch in Mexico. Unit sales to existing customers have exceeded the 1200 unit mark, with several additional trials underway in Mexico and the Caribbean.
- The best year ever for Uplink™, Numerex's dedicated wireless security solution, with recurring service revenues growing sequentially in 21 of the last 22 quarters.
- Significant growth for MobileGuardian® in the first year of a new distribution agreement with South West Dealer Services.
- The successful and ongoing integration and deployment of Agilent Technologies monitoring solutions for major cellular carriers through our Digilog™ subsidiary.
- Significant customer deals won by BNI Solutions through our agreements with IBM in the video and distance learning markets.

Numerex's product strategies and developments reflect our belief in the markets we serve. We repositioned, and continued to develop, the next generation of our Cellemetry® Network to support the entire M2M value chain.

CellemetryXG™ includes:

- Cellemetry®, the industry's largest wireless data network.
- Multi-Mode/Multi-Path (MMP) Network Access Module™ for analog or digital environments.
- Premium 7/24/365 network and application support services providing customers the option to fully outsource all operational and product support.
- A continuing network development strategy to drive continued expansive coverage, legacy network interoperability, and expanded digital capabilities for higher-bandwidth applications.

In addition to launching CellemetryXG, other major product development accomplishments included:

- Developed a multi-year data and customer services agreement and offering with DEWALT, a leading manufacturer and marketer of power tools and accessories. In early 2005, we began providing both the Cellemetry network and outsourced customer support services for end users of DEWALT's SITELOCK product. SITELOCK is an innovative, portable, wireless alarm system that is designed specifically for the construction industry. The solution uses patented wireless technology to monitor numerous pieces of equipment or various areas of a construction site simultaneously.
- Integration and commercial availability of the CellemetryXG Network with the 3rd Generation Security System (3GS) from Intramerica Security Technologies, an industry leading security solutions provider for U.S. military and security agencies, industrial, financial and commercial applications.
- A Wavecom SA joint development agreement to deliver multi-mode digital radios with new features that increase our network and solution capabilities as well as provide a technology migration path for analog customers.
- IP-Alarm™, an option for the security industry that allows Central Station Operators to receive industry standard alarm signals from the Numerex Cellemetry Network via the Internet. This solution provides a significant cost savings benefit for Central Stations and opens opportunities for Numerex in international security markets.
- Next-generation Network Access Modules. The MMP-402 module will provide the cornerstone of our next generation network components.
- VendView product enhancements in preparation for U.S. Market delivery in 2005.
- Major renovation of the Numerex data center with expanded server, applications and communications technology.

These accomplishments are the result of our continued commitment to executing our key initiatives and positioning Numerex for growth. We believe we can continue to accelerate our growth and improved profitability as we focus on network, marketing and distribution objectives in 2005.

Over 2005, we will continue to:

- Penetrate the growing M2M market, especially with new partners in the security segment.
- Establish additional distribution partners for MobileGuardian.
- Expand sales for VendView in North America.
- Fulfill development of our digital migration product strategy to continue delivering the most comprehensive M2M network solutions, regardless of mode or location, on the CDMA, GSM, or AMPS platforms.
- Develop our network and support services to provide the most expansive network coverage, legacy interoperability, plus a comprehensive forward-looking migration path

We are pleased with our success in 2004 and the increased momentum of M2M. In 2005, we are optimistic about solidifying our industry position as the company that "powers M2M." Numerex's talented and dedicated team, combined with the involvement of our partners, customers and shareholders, will continue to shape an exciting, young industry in ways that are just now unfolding. We are prepared to deliver on new opportunities in 2005 to bring even greater results to our shareholders.

Thank you for your continued support of Numerex.

Sincerely,



Stratton Nicolaides
Chairman and Chief Executive Officer



Advancing Machine-to-Machine Communications

When the mobile phone was introduced two decades ago, the idea of embedding cellular communications technology into machines so that they could “talk” to one another might have seemed far-fetched. In 2004, however, Machine-to-Machine communications has commanded the spotlight as one of the top communications stories of the 21st Century.

With technological innovations in M2M rapidly unfolding, the transmission of critical—even life-saving—information around the corner and across the globe is no longer speculation. It’s an industry. Telemetry, the concept of machines talking to each other over fixed wireline networks, is rapidly giving way to “Cellemetry,” the more portable and cost-effective vision of machines talking to each other over wireless networks.

Communications between and among machines are at the core of the burgeoning M2M industry—an Industry that Wireless Data Research Group (WDRG) and other analysts have tapped for intensive growth. In fact, WDRG anticipates the total M2M market, including hardware, software, and services (both network and professional), to grow from about \$3.4 billion in 2002 to over \$28 billion in 2007.

Like all breakthroughs in technology, however, M2M is only as significant as the benefits it delivers—benefits like improved efficiency, reduced costs, improved response times, and enhanced revenue opportunities.

Through a fundamental advancement in technology, business, and culture, Numerex’s core areas of expertise have converged in the M2M space. We are at the nexus of where machines, devices, and systems communicate.

Leading the Industry with Proven Partners and Solutions

Numerex delivers M2M solutions that combine the most extensive wireless data network in North America, advanced remote control and monitoring applications from industry-leading partners, and our own highly focused applications, all working together to help organizations acquire, monitor, and control data from their extended enterprise.

In 2004, we focused on further differentiating our competitive strength in wireless data communications. As a leader in the rapidly growing M2M space, Numerex leveraged core competencies in network, access technology and information management by continuing to add value to the existing infrastructure of public networks. Our progress in achieving this objective is reflected in the success of two relatively new Numerex products—VendView™ and MobileGuardian®—both well positioned in the emerging M2M landscape. In 2004, both products gained market share in their respective industries, while our more mature product, Uplink™, continued to deliver record service revenues in the M2M security space.

With more than a decade of experience, our trusted industry partnerships, and our hallmark network and solutions, Numerex is uniquely positioned to become the leader in specific M2M areas, including security, vending, environmental and facilities monitoring, and location and tracking solutions.



The CellemetryXG M2M Network

CellemetryXG™ powers the Numerex family of M2M solutions—and the solutions of our industry-leading partners and developers—with proven, certified hardware, network operations centers, and around-the-clock expert customer support.

Numerex continues to enjoy its market-leading position in M2M wireless data communications, a position solidified by the company’s CellemetryXG™ network and end-to-end solutions. Leveraging the existing telephony infrastructure of major carriers, Cellemetry remains North America’s largest, most robust cellular-based data network. Our network has enabled Numerex to deliver an array of M2M solutions that add value across a range of industries and customer organizations.

By 2007, more than 100 million machines will send and receive billions of messages around the clock each day, triggering a range of responses—from opening a dam or bridge to alerting authorities of a home invasion. Numerex's own CellemetryXG network currently transmits more than a million messages each day.

In 2004, we continued to build on our legacy of success in delivering M2M data across our network, enabling our clients to poll, monitor, and manage remote assets from virtual locations. CellemetryXG facilitates wireless data communication for many different applications, such as alarm messages, meter readings, and vending machine status reports.

When used in combination with low-cost Global Positioning Systems (GPS), CellemetryXG can also provide tracking and location information to end users. CellemetryXG network modules can pinpoint the precise geographic location of trucks, automobiles, railroad cars, barges, containers, or other movable assets. That data is transmitted to the Numerex Operations Center, where it is encrypted and securely delivered to our customers for action.

Whether it's GeoLogic leveraging M2M mobile applications to track truck fleets across North American and Caribbean locations, GE Transportation solutions enhancing rail operations throughout North America, or Tyco Security and GE-Interlogix offering CellemetryXG-enabled security applications to their customers,

Numerex and CellemetryXG are the choice of industry leaders looking for proven applications, coverage, and value.

Digital Wireless: A Vision for Innovation

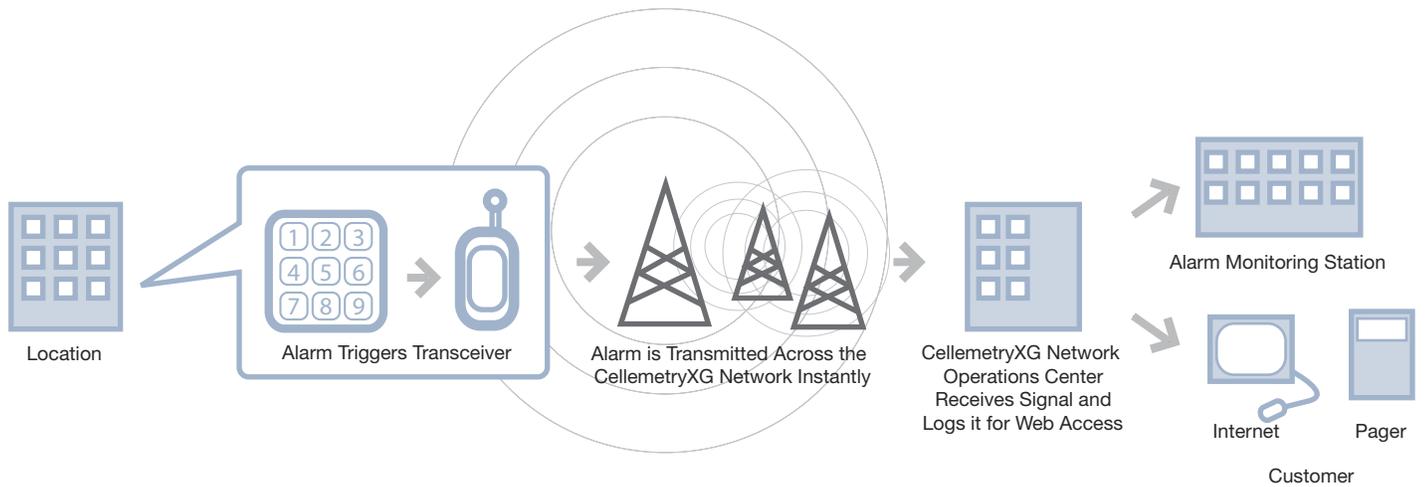
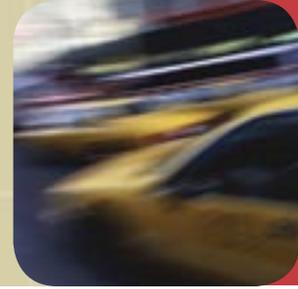
Forrester Research predicts that from 2005 onward there will be more connected machines than connected people.

In 2004, we began development of our next-generation Network Access Module, the MMP-402. The module is comprised of a single, swappable radio that supports multiple analog and digital technologies. Scheduled to be released to a ready market in 2005, the Numerex MMP module is designed to support current and future networks and to support expansion to broadband wireless and wireline access, with an integrated IP communications module. The MMP-402 is easily integrated into our partners' solutions, providing superior performance and deployment flexibility for a host of applications.

Numerex is also sharply focused on delivering multi-protocol SMS (short message service) offerings on GSM and CDMA networks. Because SMS operates across these digital radio technologies, our SMS offerings will bring new market opportunities for applications that may require higher data payloads. As a result, customers can receive expanded end unit control, plus a higher level of flexibility for deployment that is unrestricted by location or application.

And, as our CDMA and GSM offerings continue to evolve, Numerex plans to develop, pursue, and integrate emerging higher bandwidth technologies that bring added capability and value to our partners and customers.





Wireless Security Monitoring

Uplink™ is the dedicated wireless communications solution that runs on the CellemetryXG network for security monitoring. Uplink reports all alarm, operational status, and event messages generated by security and monitoring systems reliably, securely, and instantly.

Numerex is recognized in the marketplace as a leading provider of wireless security products. With over 4,500 active dealers and over 200 monitoring companies delivering Uplink products and services, we are a market leader in wireless alarm event communications. With Uplink™, a secure, dedicated cellular connection transmits alarm messages to virtually any alarm receiving center (ARC) central station.

Because Uplink is a dedicated wireless security solution, monitoring services and customers can receive alarm signals via central station receivers, the phone, Web, email, SMS messaging, or an alphanumeric page—any time, anywhere an

alarm event occurs.

And, as more businesses and consumers move toward cellular-only phone service and broadband for their primary communications service, Uplink is positioned as the answer to meeting emerging security and event-monitoring requirements. Because Uplink leverages M2M technology, any data signal or message can be instantly relayed over Numerex's expansive CellemetryXG™ wireless data network for immediate action. As CellemetryXG rolls out new network access modules and networks with direct IP and Web access in 2005 and beyond, Uplink is perfectly positioned to take full advantage of the new capabilities.

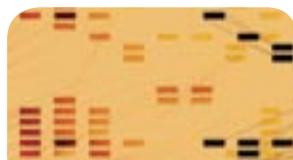


Wireless Vehicle Recovery and Location

MobileGuardian® leverages M2M technology by combining the accuracy of GPS and the ubiquitous coverage of CellemetryXG to provide reliable and timely location information in the event of car theft—as well as on-demand tracking information on friends and family throughout their travels.

Every 27 seconds, an automobile is stolen in the United States. Annually, auto theft results in the loss of billions of dollars. Vehicle monitoring, reporting, and recovery are logical extensions of our Security Solutions portfolio; leverage our strengths in M2M; and expand the power of our CellemetryXG network. MobileGuardian® is Numerex's vehicle recovery solution that provides customers with online, on-demand location data.

MobileGuardian notifies auto owners via any email-enabled device when the device is triggered,





and allows them to locate their vehicle through the secure MobileGuardian Web site. Users can remotely disable the vehicle, preventing it from being restarted once turned off, and guide law enforcement authorities to its location.

Since the introduction of MobileGuardian in 2003, Numerex has secured agreements with hundreds of auto dealership locations nationwide, either directly or through our Southwest Dealer Services distribution agreement, enabling Numerex to service several major national markets. In 2004, the MobileGuardian installed base continued to grow, and we expect the trend to continue as we add new distributors in 2005.



Wireless Vending Intelligence

Also running on the CellemetryXG network, VendView™ is a wireless, end-to-end solution that monitors the operation and performance of remote vending machines and delivers that information securely and conveniently to the desktop.

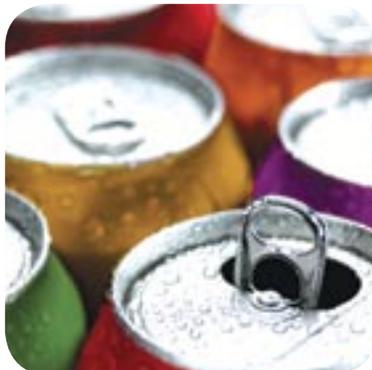
VendView™ captures product and machine performance data directly from vending machines and transmits it over the Cellemetry wireless network to the Numerex Operations Center, where it is accessible to vending providers through VendView's secure Web portal. With comprehensive analysis and reporting capabilities, VendView transforms machine-level data into business insight that helps customers streamline the daily management of vending operations and drive business performance and profitability.

In addition to Web-based reporting, VendView delivers email or SMS text alerts in time-sensitive situations to warn of operational problems, such as machine power loss. As a result, vending operators can service machines immediately

when problems occur—and often before they occur, minimizing downtime and inventory shortfalls and improving the end customer's experience.

2004 saw the successful deployment of VendView at several prominent bottling companies in Mexico, our initial launch market, including Embotelladora de Toluca, a regional Coca-Cola bottler with headquarters in Cuernavaca. VendView provides Embotelladora de Toluca with anytime-anywhere access to analysis and reporting. Using an intuitive Web interface, designated users across the organization can access sales and operational information by brand, location, and time to facilitate decision-making.

We look forward to building on our momentum, adding new feature sets and expanding VendView into new North and South American markets in 2005.



NUMEREX MULTIMEDIA AND NETWORKING SOLUTIONS



A Numerex subsidiary, BNI, has a fifteen year history providing complete system solutions to a wide range of applications, including corporate communications, training, distance learning, and private cable TV. Our core business is focused on two market segments, video conferencing and broadband networking.

Through BNI, Numerex offers a wide range of innovative, cost-effective interactive video applications, such as group and desktop video conferencing, which rely on high-quality video, audio and data communication.

BNI products include PowerPlay™, an IP-based video conferencing solution, which delivers a standards-compliant multipoint hardware solution with capabilities that are unrivaled in the industry. *IPContact*®, the first software-only video conferencing application that provides high-quality, multi-point video on desktop or laptop PCs.

A performance leader, *IPContact* offers unmatched multi-point, IP-based video conferencing with document collaboration and extends the capabilities of multi-party video and data collaboration.

With a heritage of product and service quality dating back to 1968, Numerex subsidiary Digilog integrates and deploys network monitoring and fault management solutions for leading companies in the telecommunications sector.

Digilog's proven solutions consist of centrally controlled Network Access and Monitoring System (NAMS) software, Channel Access Units (CAU) and remotely controlled test instruments, such as protocol analyzers. Today, Digilog's NSS II test access nodes are monitoring more than 95,000 circuits in more than 30 countries worldwide.

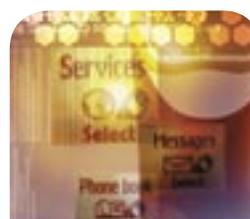
Digilog's primary focus is the integration and deployment of hardware and software components from our industry leading partners. Our network engineers are meeting the critical needs of wireless and central telecommunications offices nationwide by integrating test and monitoring equipment according to specific customer requirements.

During 2004, Digilog executed multiple successful engagements, including the integration and deployment of Agilent Technologies monitoring solutions for major cellular carriers nationwide through our renewed and ongoing service and integration agreement with Agilent.

NUMEREX WIRELINE SOLUTIONS

Numerex subsidiary DCX Systems designs, manufactures, and markets Derived Channel Wireline Security Networks throughout the United States and Australia.

Multiple telecommunications service providers are currently offering alarm transport services using DCX Systems' Derived Channel Networks. Using DCX Systems' Derived Channel Network, operating telephone companies, alarm industry manufacturers, distributors, and installing alarm companies can leverage Derived Channel technology to service customers and expand revenues. Over the last several years, DCX Systems has effectively shifted sales and support focus to Australia, where the market for Derived Channel as a reliable, secure transmission medium for critical event monitoring is growing.



OFFICERS AND DIRECTORS

Officers

Stratton Nicolaides
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Chief Executive Officer

Michael A. Maret
Executive Vice President
Chief Operating Officer

Alan Catherall
Executive Vice President,
Chief Financial Officer

Board of Directors

Brian C. Beazer
Non-Executive Chairman of
Beazer Homes USA, Inc.

George Benson
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Officer of Wisconsin Wireless
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Consultant, Founder of Davidge
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Form 10-K Investor Contact

Additional copies of the Company's Annual Report on Form 10-K for 2004 (without exhibits), 10Q and other quarterly financial reports are available from the Company at no charge and may be accessed from the Investor Relations section of the Company's Web site at www.nmr.com. Other investor contacts should be directed to Alan B. Catherall, Chief Financial Officer, at the Company's corporate office.

Annual Shareholders' Meeting

The annual meeting of shareholders will be held on Thursday, May 12th, 2005 at 11AM local time, at The Atlanta Room, Hawthorn Suites, 1500 Parkwood Circle, Atlanta, GA. 30339.

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