

06

ANNUAL  
REPORT



**M2Momentum**





## **Flexible, Proven, Reliable Path to M2M**

In the United States and abroad, every day and in every industry, complex interconnections that link millions of machines are being woven via a variety of data networks, making all kinds of organizations and operations more efficient and cost-effective. From fleet management and vehicle tracking to security and asset monitoring, wireless data solutions have become a key component in the delivery and management of critical data. Countless research reports throughout the world identify this market as the Machine-to-Machine (M2M) market, an area with tremendous growth potential projected to surpass personal wireless communications.

We are front and center in this far-reaching revolution. A respected M2M industry pioneer, Numerex has been powering machine-based wireless communications for more than a dozen years. We design, develop, and deliver the building blocks for M2M, first through analog, and now through advanced digital network services, technology, and end-to-end solutions.

# A Letter to the Shareholders



## Dear Fellow Shareholders,

Since the early days of wireless data communications, Numerex has fueled the growth of the machine-to-machine (M2M) industry with innovative technology and network platforms that brought many new solutions, both fixed and mobile, to the market. As a result of this long-term dedication and focus, Numerex reinforced its position in 2006 as an M2M leader and *partner of choice* through the introduction of new digital products and services, the forging of new industry partnerships, and through the acquisition of another industry leader, Airdesk. Of course, we have fueled our own growth while contributing to that of the M2M industry, by offering the most comprehensive M2M-specific technologies, networks and solutions available, delivered through a single-source.

The remarkable performance of our industry is evidenced by the increasing number of enterprises adopting M2M solutions as a cost-effective way to network and communicate with their assets for various purposes such as security, monitoring and measuring performance, and tracking. The adoption rate of M2M technology is rising substantially, with several industry analysts estimating the market compound annual growth rate at over 30 percent through 2010. One estimate projects mobile communications (machine-based) outnumbering ordinary (human-based) mobile sessions by a factor of 30 to 1 by 2020.

Numerex's landmark acquisition of Airdesk, finalized in January 2006, has enhanced our capabilities and distribution of end-to-end fixed and mobile M2M solutions, as well as the key components for M2M – from the wireless data network and enabling technology to the application and support services. As a result we have expanded our reach into additional vertical market segments across the U.S., Canada, and Latin America. Airdesk's extensive distribution footprint and expertise across multiple markets complement Numerex's proven experience in developing branded and custom-made M2M solutions.

Our Airdesk Division launched several fixed and mobile solutions in 2006, including Airdesk Mobile, a private-labeled vehicle-tracking and location solution for the new vehicle dealer and mobile asset protection markets. The Airdesk Division keeps delivering industry-leading wireless technology at a record pace and remains focused on supporting customers with our new network offerings and value-added services that further position Numerex as the single-source "perfect partner."

Numerex's M2M security division, Uplink, rolled out an industry-first comprehensive wireless digital security solution in early 2006. With the new Digital Uplink product and service, the Company delivered another record performance, with 50 percent growth year over year. Uplink added approximately 50,000 network connections in 2006, and we expect strong growth in 2007 as we explore new markets through our Uplink brand.

Numerex also initiated and reinforced alliances with industry leaders in 2006, introducing and expanding key product and service offerings. Our “go-to” market strategy consists of partnering with industry innovators who continue to integrate our technology and leverage our platforms to launch their M2M solutions into a variety of markets, such as security, construction, point of sale, mobile tracking, tank monitoring, utility meter reading, and several others. In addition, many customers choose to private label our “white box” solutions in order to speed up their market entry.

In 2006, we also expanded our relationships with several wireless network operators further solidifying our position as the “go-to” source for expertise in network data services. In addition, we invested substantially in technology and support infrastructure, including an advanced billing system unmatched in its bundling and pricing flexibility for wireless network services.

To meet the requirement for cost-effective message delivery in specific M2M applications, we introduced SMSXpress™, a Numerex Networks™ service for remote monitoring and M2M applications, which provides unrivaled low-latency message delivery appropriate for a wide variety of critical applications, including security, telematics, environmental, and asset tracking. SMSXpress is now an integral digital network component for several Fortune 500 organizations in the U.S.

We amplified our network offerings with CDMA and Location Based Services (LBS), which met the need for precise, real-time fleet tracking, package and parcel tracking, and inventory control. Through agreements with our carrier partners, we expanded our CDMA network and LBS offerings throughout the U.S. and Canada.

Remaining ahead of the curve in wireless technology, Numerex was among the first to implement tested, proven analog-to-digital migration strategies and solutions for M2M well ahead of the FCC’s February 2008 analog sunset guidelines. Even before the FCC’s announcement drove the market toward digital, Numerex began leveraging its proven practices, technology, and network solutions toward advanced wireless solutions. As a result, the Company is well positioned with its suite of digital networks, products and services, while maintaining its support infrastructure for its analog customers as they transition to digital.

An important business driver for Numerex and the market in 2006 and beyond is information security – a pervasive feature in all of our products and services and a top priority for our industry partners and customers. As more global organizations adopt M2M solutions for critical functions, security becomes a significant consideration. Numerex is implementing security measures that span across our products, services, and data networks. We expect these initiatives to set the standard in

our industry by providing a higher level of data security from the origination of the message through the data interface, further differentiating the value we deliver in comprehensive, reliable, and secure products and services.

A review of the initiatives and activities for 2006 demonstrates the vitality of Numerex’s business. Specifically, we attained the following milestones last year:

- Completed and fully integrated the acquisition of Airdesk, acquired in January, a key provider of wireless M2M modules and services, and ideal complement to Numerex’s existing M2M platforms;
- Launched our new Digital Uplink product line in March, a first-to-market digital product and wireless network service, designed to meet the demands of the security industry;
- Launched our new digital mobile product line, Airdesk Mobile, a platform designed for private label customers, providing vehicle tracking and recovery capabilities for use in both the new car and automotive asset recovery markets;
- Developed a new relationship with TelCel, offering integrated wireless M2M solutions through its distribution network in Mexico;
- Selected by U.S. Cellular to provide a variety of services designed to transition their analog customers to a CDMA digital format;
- Launched and expanded broadband and LBS network and service offerings, opening new market opportunities;

- Introduced SMSXpress, which provides a powerful and cost-effective wireless networking solution for remote monitoring and other M2M applications;
- Initiated multiple technology and marketing programs designed to convert analog network connections to our new digital platforms.

Among our most gratifying achievements in 2006 was our continued strong financial performance, ending the year with our seventh successive profitable quarter and our second full year of profitability, generating 33 cents per share in earnings, a milestone in our company's recent history. Numerex generated \$52.8 million in revenues for the full year 2006, which was a 76 percent improvement over the \$29.9 million in revenues reported in the full year 2005. We increased M2M revenues to \$46.3 million for the full year, a 107 percent increase over the \$22.3 million reported for the full year 2005.

I am also pleased to report that we substantially strengthened our balance sheet by bolstering our cash position, increasing working capital, and improving inventory turnover.

In 2006, Numerex advanced its vision of serving the M2M market through a single-source strategy by providing a top-grade wireless network service, innovative solutions, and technology, with dedicated round-the-clock customer support. We continue to strive for excellence in execution of key initiatives in 2007 that, we believe, will position Numerex

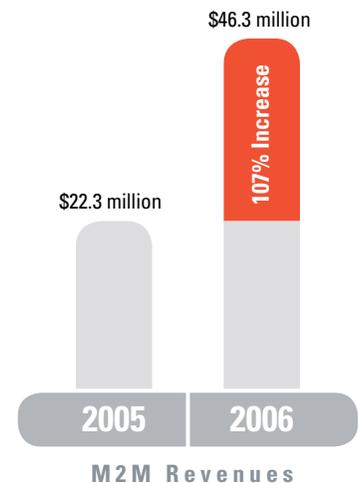
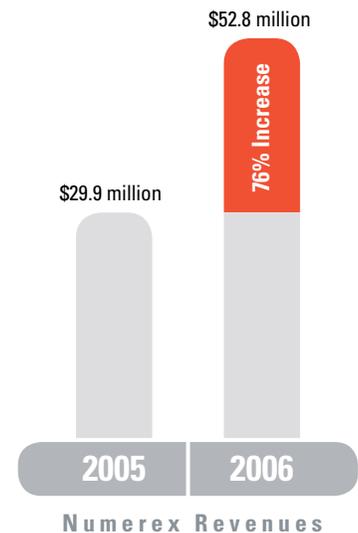
for even further market expansion and an acceleration of revenue growth and profitability.

I have never been more excited by the opportunities within our reach, or more proud of the talent and dedication of my associates and the teamwork they displayed. These teams are made up of the industry's best and brightest – individuals I have known for years, and new colleagues I have had the pleasure of forging relationships with over the course of the year. We believe that our combined expertise and efforts, in concert with the involvement of our industry partners, customers, and shareholders, will allow Numerex to enjoy another year of leadership in the M2M market.

Sincerely,

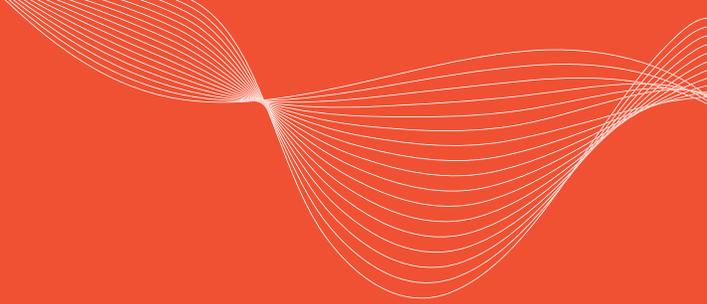


Stratton J. Nicolaidis  
Chairman and Chief Executive Officer



M2Momentum





# There in the Beginning; Here for the Future



Numerex experienced steady growth in the marketplace in 2006 as we expanded our portfolio of offerings in wireless technology, networks, and fixed and mobile M2M solutions. As a result, our growth rate outpaced industry projections. Thanks to the launch of our Airdesk Wireless Division in January 2006, we have significantly increased the number of our M2M wireless customers. With more than 250,000 wireless data devices deployed in 2006, Numerex is one of the leading companies in the industry.

## Execution and Innovation

Numerex combines the wireless based services of Numerex Networks™ with industry-leading technology and solution development capabilities to create innovative packaged and custom-designed M2M offerings for customers across multiple market segments.

The Company has established and maintains a leadership position in M2M through delivering end-to-end, single-source solutions. We deliver the industry's leading wireless security solution, Uplink. We also develop custom, private-labeled and OEM solutions for Value Added Resellers (VARs) and Original Equipment Manufacturers (OEMs) who choose to integrate our products and services into their own offerings. And we brought several new products to market in 2006, including multiple, state-of-the art, digital networks, SMSXpress™ from Numerex Networks, Digital Uplink, and Airdesk Mobile.

Many global Fortune 500 organizations now depend on our networks, technology, and fixed and mobile solutions. They look to us not only for industry-leading products and services, but also for the proven expertise and direct experience we have in M2M success.

## Airdesk M2M Solutions

Numerex's Airdesk Wireless Division is our dedicated M2M business that delivers all of the key components required for M2M. From concept through commercial deployment, Airdesk provides a full array of network and technology options, end-to-end solution development, custom Web services, and technical and end-user support for our distributors and customers.

### 2006 was a year of tremendous innovation and growth for Airdesk.

From Numerex's acquisition and launch of Airdesk Wireless in January, Airdesk began bringing new solutions to market. For example, we launched our Location Based Services (LBS) offering, which leverages CDMA technology for precise, real-time fleet tracking, package and parcel tracking, inventory control, as well as improved visibility into remote operations. Addressing both mobile and fixed application requirements, this Airdesk solution represents new revenue opportunities for our various application service provider and integration partners. Customers are already leveraging our state-of-the-art locating capabilities and GPS technology, integrating our network platform with their market-ready application.

### Airdesk Mobile: On-the-Go Tracking and Location Solutions

Airdesk Mobile is Numerex's vehicle-tracking and location solution, serving a wide spectrum of markets such as new vehicle and mobile asset protection. Currently private labeled and marketed through approximately 1,000 automobile dealerships in the United States, with international expansion slated for 2007, Airdesk Mobile solutions consist of numerous vehicle- and asset-tracking and location features that meet the whole range of M2M mobile needs – from fleet management to cargo tracking and mobile inventory management.



### Airdesk Fixed Solutions: Precision Monitoring Solutions

Providing solutions tailored to the unique challenges of vertical industries has long been one of our recognized specialties. From protecting construction job sites to supporting large tank-monitoring operations, Airdesk Fixed solutions deliver cost-effective capabilities for customers across many industries.



#### Numerex M2M Offerings

- OEM Solutions
- Numerex Networks™
- Technology and Modules
- Custom Solutions
- Private Label Solutions
- Customer Support
- Network Services
- Web Services
- Billing Services
- Custom Field Services

M2Momentum

## Numerex Wireless Security

### Uplink Wireless Security Solution

Numerex's Wireless Security Division, Uplink, remains the industry leader in cellular-based alarm security. Uplink connects and protects hundreds of thousands of subscribers in North America alone, and is the wireless security solution of choice for nearly 5,000 alarm dealers and installation professionals.

In 2006, Numerex was among the first to introduce a fully digital wireless security product with Digital Uplink. We are assisting many of our partners in the successful transition of their customers from analog to digital according to the FCC's February 2008 analog sunset guidelines. By way of Numerex Networks and the DigiCell® AnyNET module, Digital Uplink is securely protecting thousands of customers with digital network technology.

Research from NDP Group estimates that 12 percent of wireless subscribers have already eliminated their landline phones, and experts expect the trend to continue. Uplink's dedicated wireless connection offers security professionals a means to keep customers connected when they opt to eliminate wire-line service.

## Network Solutions

### Numerex Networks

Our Airdesk and Uplink Divisions are supported by the industry's only wireless network designed specifically for M2M – Numerex Networks.

With unique pricing, packaging, billing, and support features, Numerex Networks leads the industry in wireless service for the M2M market. Numerex Networks is focused on the M2M market, with specialty products like SMSXpress designed to support low data applications such as security. SMSXpress answers the needs of a variety of industries and applications beyond security such as SCADA, vending, and asset tracking. For customers with more intensive data requirements, Numerex Networks provides a portfolio of broadband offerings. We continue to expand our relationships with our carrier partners, allowing us to bring new solutions to market such as GPRS, 1XRTT, and Location Based Services. We have also expanded our digital offerings internationally into Mexico and Latin America through our carrier relationships.

Together with these new solutions and relationships, we maintain our longstanding commitment to providing the industry's most robust, world-class network and infrastructure, complete with full redundancy, reliability, and

OSS management capabilities. Our infrastructure – the result of 12 years of investment and continuous improvement – is a platform of dependable processes that handle over 1 million messages each day. We will continue to invest in upgrading our network infrastruc-

ture and services to provide the most reliable and secure network services to our partners and customers.

Our network offerings are supported by our fully redundant, secure Network Operations Center (NOC) in Atlanta, Georgia,

which ensures that we are able to provide continued, ubiquitous network coverage, legacy interoperability, plus an effective growth path to the future. This architecture provides Numerex Networks customers with service-level standards that meet and exceed requirements for mission-critical applications.

Recognized by the industry as the company that delivers "More than the Network," we wrap a variety of services around our network offerings, including private-labeled network solutions, our carrier-grade billing platform, sophisticated trouble management system, and 24x365 tiered support. Built-in flexibility allows us to customize network solutions with such features as real-time provisioning and network activation, real-time trouble assistance, and unique network configurations designed specifically to meet our customers' requirements.



## Firmware and Technology

One of the largest distributors of M2M modules in the world, Numerex offers a full range of data modules and components – from embedded modules for OEMs that support all major worldwide cellular technologies, to wireless devices that support CDMA/1XRTT, GSM/GPRS or SMS. Our development tools and integration packages are specific to each wireless module manufacturer, and we offer a wide selection of antennas and cables for M2M-specific uses. We partner with virtually all leading module manufacturers, including Wavecom, Enfora, Sony Ericsson, and others.

We also develop and market our own devices for wireless security and M2M products, including the DigiCell AnyNET wireless communication module and the ADM3500 in-vehicle tracking module.



## Numerex Digital Multimedia Solutions

In addition to our longstanding experience in serving the M2M and security marketplaces, Numerex also designs, develops, and markets complete video conferencing and digital multimedia system products and services for high-quality communications networks.

Marketed and delivered by BNI solutions, PowerPlay™, IPContact®, and System Solution Services offer a wide range of innovative, financially attractive interactive video applications. Our Digilog operation is focused on integrating and deploying network monitoring and fault management solutions for leading companies in the telecommunications sector. Our wireline solutions are delivered through Numerex subsidiary DCX Systems, which designs, manufactures, and markets Derived Channel Wireline Security Networks throughout the United States and Australia.

## Excellence in Execution

In 2007, we will continue building, innovating, and challenging the status quo to bring a superior level of customer satisfaction throughout our markets. Towards this end, Numerex is fortunate to rely on an extensive and diversified network of quality partners in the U.S. and abroad. We will execute with unparalleled enthusiasm and uncompromising determination our strategy, which is to remain flexible, proven, and reliable to all of our product and service users.



M2Momentum





# Numerex Corporate Information

## Officers and Directors

### Officers



Stratton J. Nicolaides  
Chairman and  
Chief Executive Officer



Alan B. Catherall  
Executive Vice President  
Chief Financial Officer



Michael A. Maret  
Executive Vice President  
Chief Operating Officer

### Board of Directors

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

George Benson  
Chairman and Chief Executive  
Officer of Wisconsin Wireless  
Communications Corporation

Nicholas A. Davidge  
Technology and Business Consultant  
Founder of Davidge Data Systems

Matthew J. Flanigan  
President of the Telecommunications  
Industry Trade Association

Allan H. Liu  
President of The China Retail Fund, LDC

Stratton J. Nicolaides  
Chairman and Chief Executive Officer

John G. Raos  
Lead Independent Director  
President and Chief Executive  
Officer, Precision Partners, Inc.

Andrew J. Ryan  
Partner, Salisbury & Ryan, LLP



## Corporate Information

### Form 10-K Investor Contact

Additional copies of the Company's Annual Report on Form 10-K for 2006 (without exhibits), 10Q, and other SEC 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](http://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 Friday, May 11, 2007, at 11 a.m. local time at The Parkwood Room, Hawthorn Suites, 1500 Parkwood Circle, Atlanta, GA 30339.

### Registrar and Transfer Agent

Continental Stock Transfer  
and Trust Company  
2 Broadway, 19th Floor  
New York, NY 10004

### Independent Accountants

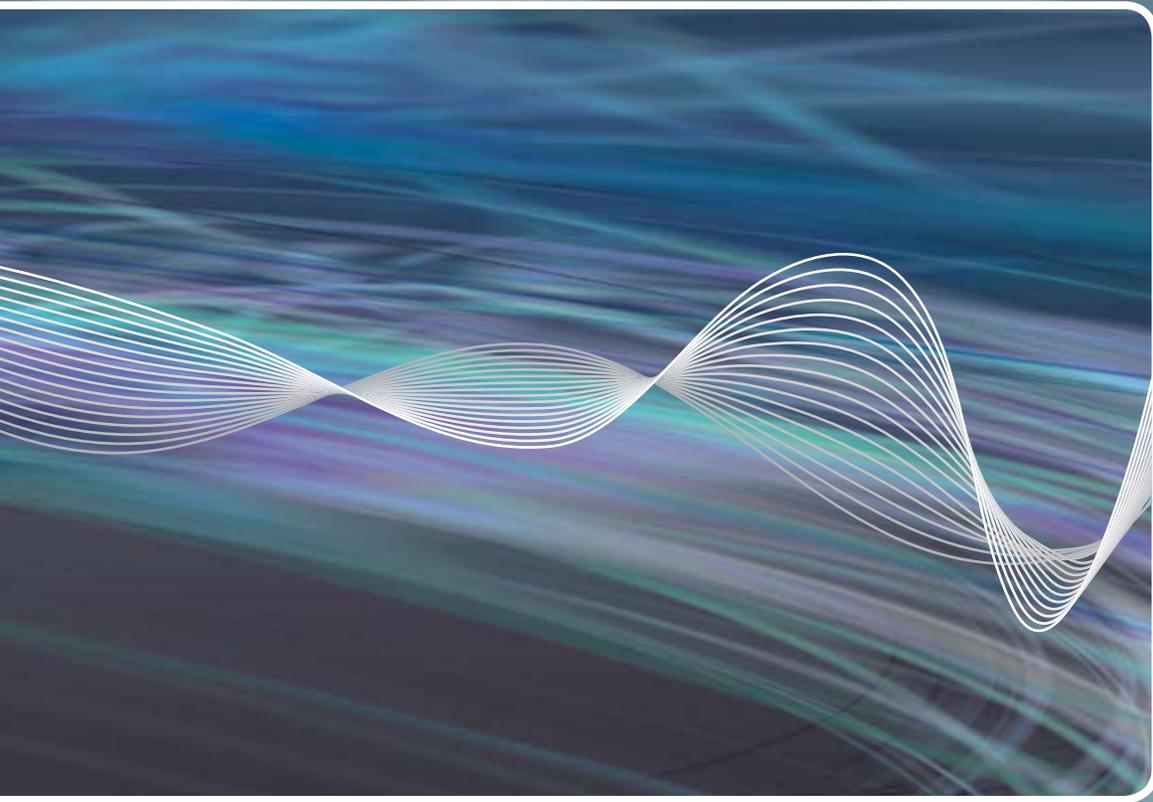
Grant Thornton LLP  
Marquis One  
Suite 300  
245 Peachtree Center Ave, NE  
Atlanta, GA 30303

### Corporate Address

Numerex Corp.  
1600 Parkwood Circle, SE  
5th Floor  
Atlanta, GA 30339  
(770) 693-5950  
(770) 693-5951 (Fax)

[www.nmr.com](http://www.nmr.com)





**Numerex**

**[www.nmr.com](http://www.nmr.com)**

Numerex Corp.  
1600 Parkwood Circle, SE  
5th Floor  
Atlanta, GA 30339

Copyright ©2007 Numerex Corp.