



*Advanced Technology. Enhancing Mobility. Enabling Security.™*

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## PRESS RELEASE

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### **For Immediate Release**

## **DRI CORPORATION POSTS \$635,000 PROFIT FOR SECOND QUARTER 2007**

- **Second Quarter Sales Reach Record High**
- **Sales Reflect 14.9 Percent Increase Over Last Year's Same Period Results**
- **Seventh Consecutive Period of Improvement Over Same Quarter of Previous Year**

DALLAS, Aug. 14, 2007 – DRI Corporation (DRI) (NASDAQ: TBUS), a digital communications technology leader in the domestic and international surface transportation and transit security markets, announced today it posted net income of 6 cents per share (basic and diluted) on \$14.9 million in sales, an increase of 14.9 percent, in second quarter 2007, as compared to a net loss of 4 cents per share (basic and diluted) on \$13.0 million in sales for the same period last year, exclusive of sales and income/loss from discontinued operations.

When including the results of discontinued operations, the Company posted net income of 6 cents per share (basic and diluted) in second quarter 2007, as compared to a net loss of 2 cents per share (basic and diluted) for the same period last year.

“Our record high revenue and improved operating results in second quarter 2007 mark the seventh consecutive period of improvement when compared to the same quarter of the previous year. Our internal work to reduce costs and expenses, combined with our increasing revenue, is continuing to help build the trend toward a profitable fiscal year 2007. Our backlog also is strong, further underscoring that trend. Given the improvement in our domestic market, the expected growth derived from our international market initiatives, and the impact of cost reductions and expense controls that we expect to continue achieving, we anticipate posting a profit for fiscal year 2007,” David L. Turney, the Company’s Chairman, President, and Chief Executive Officer, said.

On Aug. 14, 2007, the Company filed with the Securities and Exchange Commission a Form 10-Q for the quarter and six months ended June 30, 2007.

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## **SECOND QUARTER 2007 RESULTS**

For the quarter ended June 30, 2007, sales of continuing operations increased by 14.9 percent to \$14.9 million and the net income to common shareholders was \$635 thousand, or 6 cents per share (basic and diluted) – inclusive of a loss \$42 thousand from discontinued operations. This compares to sales of \$13.0 million and a net loss to common shareholders of \$243 thousand for the same period last year, or 2 cents per share (basic and diluted). Last year's results are inclusive of income of \$160 thousand, or 2 cents per share (basic and diluted), from discontinued operations. Weighted-average shares outstanding were 10.5 million (basic) and 12.4 million (diluted), as compared to 9.8 million (basic and diluted) a year ago.

For the six months ended June 30, 2007, sales of continuing operations increased by 13.4 percent to \$26.9 million and the net loss to common shareholders was \$211 thousand, or 2 cents per share (basic and diluted) – inclusive of a loss of \$219 thousand, or 2 cents per share (basic and diluted), from discontinued operations. This compares to sales of \$23.7 million and a net loss to common shareholders of \$1.1 million, or 11 cents per share (basic and diluted), for the same period last year. Last year's results are inclusive of income of \$121 thousand, or 1 cent per share (basic and diluted), from discontinued operations. Weighted-average shares outstanding for the six-month period were 10.3 million (basic and diluted), as compared to 9.8 million (basic and diluted) a year ago.

As of June 30, 2007, the Company had \$4.4 million in working capital and \$17.8 million in shareholders' equity. This compares to \$3.6 million in working capital and \$17.2 million in shareholders' equity as of Dec. 31, 2006.

## **OUTLOOK**

“We have seen several legislative actions that have strengthened our prospects in the domestic markets in recent weeks. First, new legislation out of the Homeland Security sector set authorized levels over four years at \$3.4 billion. Second, the appropriated funds for federal fiscal year 2008 reached \$400 million, an increase of \$125 million over the previous year. Third, the proposed appropriation for the surface mass transportation sector is at a record high \$9.5 billion to \$9.7 billion. In addition, we have opened new served markets such as our recently announced joint venture in India. Overall, our market trends are strong. We expect to report a profit for fiscal year 2007,” Mr. Turney said.

## **CONFERENCE CALL INFORMATION**

The Company's senior management will discuss second quarter 2007 financial results, as well as the 2007 outlook, during an investors' conference call today, Aug. 14, 2007, at 1 p.m. (Eastern).

To participate in the conference call, dial one of the following telephone numbers at least five minutes prior to the start time: Domestic, (888) 868-9080; or International, (973) 935-8511.

Telephone replay will be available through Nov. 14, 2007, via the following telephone numbers: Domestic, (877) 519-4471 (Code 9106427); or International, (973) 341-3080 (Code 9106427).

To participate via webcast, go to <http://www.viavid.net/detailpage.aspx?sid=00004348>. The webcast will be archived for 90 days.

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## **ABOUT THE COMPANY**

DRI is a digital communications technology leader in the domestic and international public transportation and transit security markets. Our products include: TwinVision® and Mobitec® electronic destination sign systems, Talking Bus® voice announcement systems, Digital Recorders® Internet-based passenger information and automatic vehicle location/monitoring systems, and VacTell™ video actionable intelligence systems. Our products help increase the mobility, flow, safety, and security of people who rely upon transportation infrastructure around the globe. Using proprietary hardware and software applications, our products provide easy-to-understand, real-time information that assists users and operators of transit bus and rail vehicles in locating, identifying, boarding, tracking, scheduling, and managing those vehicles. Our products also aid transit vehicle operators in their quest to increase ridership and reduce fuel consumption, as well as to identify and mitigate security risks on transit vehicles. Positioned not only to serve and address mobility, energy conservation, and environmental concerns, our products also serve the growing U.S. Homeland Security market. For more information about the Company and its operations worldwide, go to [www.digrec.com](http://www.digrec.com).

## **FORWARD-LOOKING STATEMENTS**

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, statements concerning the improvements in the Company’s domestic market; statements concerning the Company’s expected growth from its international market initiatives; statements concerning the impact of cost reductions and expense controls that the Company expects to continue achieving; statements concerning the expected outcome for the Company’s backlog of orders and revenue trends; statements concerning the timing or amount of future revenues and achieving profitability in fiscal year 2007; statements concerning the timing or amount of federal transit and transit security funding; statements concerning the Company’s new served markets and orders; statements about the perceived strength of current and prospective market trends; as well as any statements using words such as “expect,” “fully expect,” “expected,” “appears,” “believe,” “plan,” “anticipate,” “would,” “goal,” “potential,” “potentially,” “range,” “pursuit,” “run rate,” “stronger,” “preliminarily,” etc. These forward-looking statements are subject to risks and uncertainties, including risks and uncertainties pertaining to the Company’s actual performance in both domestic and international markets; risks that the Company may not achieve its expected growth from its strategic initiatives; risks that anticipated cost reductions and expense controls may not provide the benefits the Company expects; risks and uncertainties pertaining to the expected outcome for the Company’s backlog of orders and revenue trends; risks and uncertainties pertaining to the timing or amount of future revenues; risks that we may not achieve profitability in fiscal year 2007; risks and uncertainties pertaining to the timing or amount of federal transit and transit security funding; risks and uncertainties pertaining to the Company’s new served markets and orders; as well as other risks and uncertainties set forth in our Annual Report on Form 10-K filed March 28, 2007, particularly those identified in Risk Factors Affecting Our Business, as those are supplemented by our subsequent quarterly reports on Form 10-Q. There can be no assurance that any expectation, express or implied, in a forward-looking statement will prove correct or that the contemplated event or result will occur as anticipated.

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**DRI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except shares and per share amounts)

	<b>June 30, 2007</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2006</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 422	\$ 611
Trade accounts receivable, net	12,476	10,100
Current portion of note receivable	86	-
Other receivables	391	147
Inventories	8,985	9,057
Prepays and other current assets	433	422
Assets of discontinued operations	-	1,728
Total current assets	22,793	22,065
Property and equipment, net	2,688	2,906
Long-term portion of note receivable	258	-
Goodwill	10,303	10,289
Intangible assets, net	1,106	1,110
Deferred tax assets, net	191	191
Other assets	554	797
Total assets	\$ 37,893	\$ 37,358
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Lines of credit	\$ 7,408	\$ 7,608
Notes payable, net	500	1,584
Current portion of long-term debt	250	254
Current portion of foreign tax settlement	452	393
Accounts payable	5,192	5,560
Accrued expenses	4,584	2,921
Preferred stock dividends payable	17	23
Liabilities of discontinued operations	-	74
Total current liabilities	18,403	18,417
Long-term debt and capital leases, long-term	33	42
Foreign tax settlement, long-term	1,120	1,087
Deferred tax liabilities	289	383
Minority interest in consolidated subsidiary	264	234
Commitments and contingencies		
Shareholders' Equity		
Series E Redeemable, Nonvoting, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 500 shares authorized; 127 and 183 shares issued and outstanding at June 30, 2007, and December 31, 2006, respectively; redeemable at the discretion of the Company at any time.	215	495
Series G Redeemable, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 600 shares authorized; 394 and 379 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively; redeemable at the discretion of the Company after five years from	1,688	1,613
Series H Redeemable, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 600 shares authorized; 57 and 54 shares issued and outstanding at June 30, 2007, and December 31, 2006, respectively; redeemable at the discretion of the Company after five years from	237	222
Series I Redeemable, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 200 shares authorized; 0 and 104 shares issued and outstanding at June 30, 2007, and December 31, 2006, respectively; redeemable at the discretion of the Company after five years from	-	471
Series J Redeemable, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 250 shares authorized; 90 and 0 shares issued and outstanding at June 30, 2007, and December 31, 2006, respectively; redeemable at the discretion of the Company at any time.	388	-
Series AAA Redeemable, Nonvoting, Convertible Preferred Stock, \$.10 par value, liquidation preference of \$5,000 per share; 20,000 shares authorized; 178 shares issued and outstanding at June 30, 2007 and December 31, 2006; redeemable at the discretion of the Company at any time.	890	890
Common stock, \$.10 par value, 25,000,000 shares authorized; 11,045,386 and 10,045,675 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively.	1,105	1,004
Additional paid-in capital	32,181	31,517
Accumulated other comprehensive income - foreign currency translation	3,561	3,397
Accumulated deficit	(22,481)	(22,414)
Total shareholders' equity	17,784	17,195
Total liabilities and shareholders' equity	\$ 37,893	\$ 37,358

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**DRI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In thousands, except share and per share amounts)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net sales	\$ 14,885	\$ 12,960	\$ 26,885	\$ 23,714
Cost of sales	9,895	8,815	18,218	16,235
Gross profit	<u>4,990</u>	<u>4,145</u>	<u>8,667</u>	<u>7,479</u>
Operating expenses				
Selling, general and administrative	3,576	3,761	7,177	7,291
Research and development	363	346	695	599
Total operating expenses	<u>3,939</u>	<u>4,107</u>	<u>7,872</u>	<u>7,890</u>
Operating income (loss)	<u>1,051</u>	<u>38</u>	<u>795</u>	<u>(411)</u>
Other income (loss)	28	35	39	(41)
Foreign currency gain	45	63	21	89
Interest expense	(333)	(275)	(648)	(488)
Total other income and expense	<u>(260)</u>	<u>(177)</u>	<u>(588)</u>	<u>(440)</u>
Income (loss) from continuing operations before income tax expense	791	(139)	207	(851)
Income tax benefit (expense)	<u>10</u>	<u>(70)</u>	<u>(24)</u>	<u>(116)</u>
Income (loss) from continuing operations before minority interest in income of consolidated subsidiary	801	(209)	183	(967)
Minority interest in income of consolidated subsidiary	<u>(56)</u>	<u>(118)</u>	<u>(31)</u>	<u>(70)</u>
Income (loss) from continuing operations	745	(327)	152	(1,037)
Income (loss) from discontinued operations	<u>(42)</u>	<u>160</u>	<u>(219)</u>	<u>121</u>
Net income (loss)	703	(167)	(67)	(916)
Provision for preferred stock dividends	(68)	(76)	(144)	(144)
Amortization for discount on preferred stock	-	-	-	(49)
Net income (loss) applicable to common shareholders	<u>\$ 635</u>	<u>\$ (243)</u>	<u>\$ (211)</u>	<u>\$ (1,109)</u>
Net income (loss) per share - basic				
Continuing operations	<u>\$ 0.06</u>	<u>\$ (0.04)</u>	<u>\$ 0.00</u>	<u>\$ (0.13)</u>
Discontinued operations	<u>\$ (0.00)</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Income (loss) per share applicable to common shareholders	<u>\$ 0.06</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>
Net income (loss) per share - diluted				
Continuing operations	<u>\$ 0.06</u>	<u>\$ (0.04)</u>	<u>\$ 0.00</u>	<u>\$ (0.13)</u>
Discontinued operations	<u>\$ (0.00)</u>	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Income (loss) per share applicable to common shareholders	<u>\$ 0.06</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>
Weighted average number of common shares and common share equivalent outstanding				
Basic	<u>10,503,691</u>	<u>9,777,499</u>	<u>10,339,546</u>	<u>9,764,467</u>
Diluted	<u>12,434,354</u>	<u>9,777,499</u>	<u>10,339,546</u>	<u>9,764,467</u>

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