

ELCOM INTERNATIONAL, INC. REPORTS  
FIRST QUARTER 2007 OPERATING RESULTS

NORWOOD, MA, March [7], 2008 - Elcom International, Inc. (Pink Sheets: ELCO and AIM: ELC and ELCS), today announces operating results for its first quarter ended March 31, 2007.

Financial Summary Table (Unaudited)  
(in thousands, except per share amounts)

	Three months ended March 31,	
	2007	2006
	\$	\$
Net revenues	826	893
Gross profit	560	756
Operating loss	(1,686)	(1,113)
Net loss	(1,630)	(1,079)
Basic and diluted net loss per share	(-)	(-)
Weighted average number of basic and diluted shares outstanding	523,699	400,005

The above table, the following description and the appended condensed consolidated financial statements should be read in conjunction with the Risk Factors and other information contained in the Company's 2006 Annual Report on Form 10-KSB, as well as the Company's Form 10-QSB for the period ended March 31, 2007.

Trading in the Company's shares on AIM remains suspended pending the announcement of its interim results to 30 June 2007.

Net Revenues. Net revenues for the quarter ended March 31, 2007 decreased from \$893,000 in the same period in 2006 to \$826,000, a decrease of \$67,000, or 8%. License, hosting services and other fees increased from \$559,000 in the 2006 quarter to \$633,000 in the 2007 quarter, an increase of \$74,000 or 14%. This increase is primarily due to an additional four customers joining the eProcurement Scotland Program. License, hosting services and other fees include license fees, hosting service fees, supplier fees, usage fees, and eMarketplace agent fees. Professional services fees decreased by \$141,000, to \$193,000 in 2007 from \$334,000 in 2006, reflecting a decrease in implementations, from three in the first quarter of 2006 to one in the first quarter of 2007.

Gross Profit. Gross profit for the quarter ended March 31, 2007 decreased to \$560,000 from \$756,000 in the comparable 2006 quarterly period, a decrease of \$196,000 or 26%. This decrease is the result of a combination of lower professional services revenues and an increase of \$65,000 in one-time costs in connection with the establishment of a particular piece of software, which is expected to result in increased revenues over the coming year.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses for the quarter ended March 31, 2007 were \$2,031,000 compared to \$1,539,000 in the 2006 quarter, an increase of \$492,000, or 32%. The primary reasons for the increase in SG&A in the first quarter of 2007 as compared to the first quarter of 2006 are an increase in stock option expense from \$52,000 to \$ 301,000 and severance payments following a reduction in headcount. During 2006, Elcom began to hire additional personnel and also engaged third party contractors in order to address the increasing level of planned business activity, primarily in relation to the Zanzibar eMarketplace contract which was signed in August 2005. Elcom's headcount (full and part-time) increased from 36 at March 31, 2006 to 46 as December 31, 2006. However, headcount has subsequently been reduced to 38 at March 31, 2007 as the level of

anticipated revenue from the Zanzibar eMarketplace contract has not materialized. Further reductions in personnel costs are possible in future quarters.

**Research and Development Expense.** Research and development expense for the quarters ended March 31, 2007 and 2006 were \$215,000 and \$330,000, respectively, reflecting a reduction in 2007 of \$115,000 from the expense recorded in the first quarter of 2006. The reduction in expense in 2007 compared to 2006 was due to Elcom incurring in the 2006 period, initial costs related to work in connection with the Zanzibar eMarketplace, including approximately \$100,000 of third party consulting expense.

**Operating Loss.** Elcom reported an operating loss of \$1,686,000 for the quarter ended March 31, 2007 compared to a loss of \$1,113,000 reported in the comparable quarter of 2006, an increase of \$573,000 in the loss reported. This increased operating loss in the first quarter of 2007 compared to the same period in 2006 was primarily due to an increase in SG&A expenses, the majority of which relate to stock option expenses

**Interest and Other Income (Expense), Net.** Interest income and other income, net for the quarter ended March 31, 2007 was income of \$64,000 compared to \$41,000 in the comparable 2006 quarter. The increase is mainly a result of the recognition of other income of approximately \$53,000 arising from the reversal of accrued interest expense related to the Capgemini project. The reduction in interest income from \$41,000 for the quarter ended March 31, 2006 to \$11,000 in the comparable quarter in 2007 is a direct result of a reduction in cash reserves, with the 2006 income relating to interest income earned on the funds raised in December of 2005.

**Interest Expense.** Interest expense for the quarter ended March 31, 2007 was \$8,000 compared to \$7,000 in the same period of 2006. The 2007 quarterly expense principally relates to interest on capitalized leases.

**Net Loss.** Elcom's net loss for the quarter ended March 31, 2007 was \$1,630,000, an increase in the loss of \$551,000 from the comparable quarterly loss recorded in 2006 of \$1,079,000, as a result of the factors discussed above.

#### Liquidity and Capital Resources

Net cash used in operating activities for the three-month period ended March 31, 2007 was \$1,319,000, resulting primarily from the net loss generated from operations of \$1,686,000, together with an increase in accounts receivable of \$489,000, which was partially offset by an increase in deferred revenue of \$377,000 and non-cash charges for depreciation expense of \$115,000 and stock-based compensation expense of \$352,000.

Net cash used in investing activities for the three-month period ended March 31, 2007 was \$27,000 due to the purchase of property, equipment and software.

Net cash provided by financing activities for the three-month period ended March 31, 2007 was \$2,432,000. On February 5, 2007, Elcom agreed to issue 73,230,009 shares of its common stock (the "2007 Regulation S Shares") to investors in the U.K. and listed the shares on the AIM Exchange. As was the case in 2005 and 2006, the shares were issued in reliance on the exemption from registration under Regulation S promulgated under the Securities Act of 1993, as amended (the "Securities Act") for offshore placements, and therefore are subject to the same restrictions as the Regulation S Shares sold previously. Elcom raised a total of \$2.5 million in cash, net of issuance costs of \$23,948. The funds derived from the 2007 issuance of common stock on the AIM Exchange are being used to support Elcom's working capital requirements.

Elcom's principal commitment consists of a lease on its headquarters office facility. Elcom will also require ongoing investments in research and development and property, equipment and software in order to further increase operating revenues, and meet the requirements of its customers.

## Going Concern

The consolidated financial statements as of December 31, 2006 and March 31, 2007 have been prepared under the assumption that the Company will continue as a going concern. Elcom has incurred net losses every year since 1998, has an accumulated deficit of \$130,945,000 as of March 31, 2007, and expects to incur a loss in fiscal year 2007. As of March 31, 2007, Elcom had \$2.2 million of cash and cash equivalents and current assets of approximately \$3.5 million and had current liabilities of approximately \$4 million. The ultimate success of Elcom is dependent upon achieving additional revenues by marketing its software solutions, typically through channel partners, until the Company is operating profitably. Elcom has incurred significant operating losses and has used cash in operating activities in each of the last several years, including \$6.3 million of cash used in operating activities in fiscal 2006, and \$1.3 million of cash used in operating activities in the first quarter of 2007. Elcom's ability to continue as a going concern is primarily dependent upon its ability to grow revenue and attain further operating efficiencies and, if necessary, to also attract additional capital. Elcom believes that as a result of its 2007 issuances of common stock, including common stock listed on the Alternative Investment Market of the London Stock Exchange ("AIM Exchange"), that it has the funds required to perform under its current contracts. However, Elcom expects to incur a net loss in 2007, albeit at a significantly reduced level to that in 2006. Elcom's ability to continue as a going concern is dependent upon its ability to raise additional capital. During October and November 2007, Elcom received bridge loans from a non-US investor of £750,000 (approximately \$1,500,000). The loans are repayable upon demand and convertible at the option of the Payee into shares of common stock, at the price of 3.5p per share, subject to adjustment, downwards only, in the event that Common Stock or any equity instruments are issued at a price lower than 3.5p at anytime. The loans are expected to be converted into shares as part of a possible fund raise during 2008. Elcom is currently in discussions with a number of potential funding sources with a view to finalizing its funding requirements for 2008.

Elcom cannot assure that additional financing will be available on favorable terms, or at all. If funds are not available when required for working capital needs or other transactions, Elcom's ability to carry out its business plan could be adversely affected, and Elcom may be required to further scale back its operations to reflect the extent of available funding. If Elcom is able to arrange for additional credit facilities from lenders, the debt instruments are likely to include limitations on Elcom's ability to incur other indebtedness, to pay dividends, to create liens, to sell its capital stock, or enter into other transactions. Such restrictions may adversely affect Elcom's ability to finance its future operations or capital needs or to grow its business. If Elcom raises additional funds by issuing equity or convertible debt securities, the percentage ownership of the Company's existing stockholders will be reduced. These securities may have rights, preferences or privileges senior to those of the common stockholders.

If Elcom is unable to consummate any equity financing or receive additional loaned monies to provide sufficient working capital, Elcom would likely be forced to curtail operations and/or seek protection under bankruptcy laws. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Factors Affecting Future Performance

A significant portion of Elcom's revenues are from hosting services and associated fees received from Capgemini under a back-to-back contract between Elcom and Capgemini which essentially mirrors the primary agreement between Capgemini and the Scottish Executive, executed in November 2001. Future revenue under this arrangement is contingent on the following significant factors: the rate of adoption of Elcom's ePurchasing software system by Public Entities associated with the Scottish Executive; renewal by existing Public Entity clients associated with the Scottish Executive of their rights to use the

ePurchasing software system; the procurement of additional services from Elcom by Public Entities associated with the Scottish Executive; Capgemini's relationship with the Scottish Executive; their compliance with the terms and conditions of their agreement with the Scottish Executive; and the ability of Elcom to perform under its agreement with Capgemini.

In addition, during July 2007 Elcom committed incremental resources to provide the eProcurement and eMarketplace components of the Zanzibar eMarketplace for public sector organizations in the U.K. under its agreements with PASSL and PA. Future revenue under this arrangement is contingent primarily on the timing and rate of adoption by U.K. Public Entities of the Zanzibar eMarketplace. The Zanzibar eMarketplace agreements provide for one-time installation fees and recurring monthly hosting services fees, as well as payments to Elcom for certain development work. The agreements do not provide PASSL with unfettered rights to the underlying Elcom technology, and therefore Elcom anticipates that its realized development fees will be ratably recognized over the applicable term of the agreement. As of December 2006, four (4) U.K. Public Entities officially "went live", and as of March 2007, this number had increased to seven (7). We are currently in a contractual dispute with PA Consulting in respect of the Zanzibar contract, and also considering initiating an Intellectual Property claim against the same firm. There can be no assurance that Elcom will be successful in any potential IP claim against PA Consulting.

If further business fails to develop under the Capgemini agreement or if the U.S. eMarketplaces do not expand as expected, or if Elcom is unable to perform under any of these agreements, it would have a material adverse affect on Elcom's future financial results.

#### Outlook

Elcom expects that its operating loss will continue through 2007, however progress has been made in a number of areas and the level of losses will be significantly lower than 2006. Headcount reductions have been made and a reduction in operating costs is expected to be realized from the second quarter forward. Improvements in revenues and operating results from operations in future periods will not occur without Elcom being able to generate incremental operating revenues from existing and new clients.

#### STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

Except for the historical information contained herein, the matters discussed herein could include forward-looking statements or information. All statements, other than statements of historical fact, including, without limitation, those with respect to Elcom's objectives, plans and strategies set forth herein and those preceded by or that include the words "believes", "expects", "targets", "intends", "anticipates", "plans", or similar expressions, are forward-looking statements. Although Elcom believes that such forward-looking statements are reasonable, it can give no assurance that Elcom's expectations are, or will be, correct. These forward-looking statements involve a number of risks and uncertainties which could cause Elcom's future results to differ materially from those anticipated, including: (i) the necessity for Elcom to generate incremental operating revenues and whether this objective can be met given the overall marketplace and clients' acceptance and usage of eCommerce software systems, eProcurement and eMarketplace solutions, including: corporate demand therefore; the impact of competitive technologies, products and pricing, particularly given the substantially larger size and scale of certain competitors and potential competitors; control of operating expenses; and revenue growth; (ii) the consequent results of operations given the aforementioned factors; and (iii) the necessity of Elcom to achieve profitable operations within the constraints of its existing resources, and if it can not, the availability of incremental capital funding to Elcom, particularly in light of the audit opinion from Elcom's independent registered public accounting firm in Elcom's 2006 Annual Report on Form 10-KSB, and other risks detailed from time to time in the Quarterly Report on Form 10-QSB for the period ended 31 March 2007 and in Elcom's other SEC reports and statements, including particularly

Elcom's "Risk Factors" contained in the prospectus included as part of Elcom's Registration Statement on Form S-3 filed on June 21, 2002. We assume no obligation to update any of the information contained or referenced in the Company's Quarterly Report on Form 10-QSB.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited, in thousands)

	March 31, 2007 \$	December 31, 2006 \$
Assets		
Current assets:		
Cash and cash equivalents	2,159	1,086
Accounts receivable, net	1,181	692
Prepaid expenses and other current assets	115	218
	-----	-----
Total current assets	3,455	1,996
	-----	-----
Property, equipment and software, net	872	959
Other assets	14	14
	-----	-----
	4,341	2,969
	=====	=====
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of capital lease obligation	116	114
Deferred revenue	1,320	942
Related party accrued salary, bonuses and interest	1,055	1,066
Other current liabilities	1,554	1,690
Current liabilities of discontinued operations	42	42
	-----	-----
Total current liabilities	4,087	3,854
Capital lease obligation, net of current portion	134	164
Other long term liabilities	252	288
	-----	-----
Total liabilities	4,473	4,306
	-----	-----
Common stock	5,522	4,789
Additional paid-in capital	130,570	128,455
Accumulated deficit	(130,945)	(129,315)
Treasury stock	(4,712)	(4,712)
Accumulated other comprehensive loss	(567)	(554)
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Total stockholders' deficit	(132)	(1,337)
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	4,341	2,969
	=====	=====

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2007	2006
	\$	\$
Net revenues:		
License, hosting services and other fees	633	559
Professional services	193	334
	-----	-----
Total net revenues	826	893
Cost of revenues	266	137
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Gross profit	560	756
	-----	-----
Operating expenses:		
Selling, general and administrative	2,031	1,539
Research and development	215	330
	-----	-----
Total operating expenses	2,246	1,869
	-----	-----
Operating loss	(1,686)	(1,113)
Interest and other income (expense), net	64	41
Interest expense	(8)	(7)
	-----	-----
Net loss before income taxes	(1,630)	(1,079)
Income taxes	-	-
	-----	-----
Net loss	(1,630)	(1,079)
Other comprehensive income, net of tax	(13)	24
	-----	-----
Comprehensive loss	(1,643)	(1,055)
	=====	=====
Basic and diluted net loss per share	(-)	(-)
	=====	=====
Weighted average number of basic and diluted shares outstanding	523,699	400,005
	=====	=====

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited, in thousands)

	Three months ended March 31	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:	\$	\$
Net loss	(1,630)	(1,079)
Adjustments to reconcile net loss to net cash unused in operating activities		
Depreciation and amortization	115	88
Stock based compensation	352	79
Changes in current assets and liabilities:		
Accounts receivable, net	(489)	(129)
Prepaid expenses and other current assets	102	(97)
Accounts payable	(45)	61
Deferred revenue	377	527
Accrued expenses and other current liabilities	(101)	(235)
	-----	-----
Net cash used in continuing operating activities	(1,319)	(785)
Net cash (used in) provided by discontinued operations	(-)	(15)
	-----	-----
Net cash used in operating activities	(1,319)	(800)
	-----	-----
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, equipment and software	(27)	(159)
Change in other assets	(-)	(2)
	-----	-----
Net cash used in investing activities	(27)	(161)
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CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net	2,496	-
Repayments of loans payable	-	(1,299)
Repayments of capital lease obligations	(28)	(15)

Decrease in other long term liability	(36)	(33)
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Net cash provided by (used in) financing activities	2,432	(1,347)
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FOREIGN EXCHANGE EFFECT ON CASH	(13)	24
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,073	(2,284)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,086	6,399
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CASH AND CASH EQUIVALENTS, END OF PERIOD	2,159	4,115
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	8	
	=====	=====
Income taxes paid	-	-
	=====	=====
Issuance of common stock in satisfaction of deferred rent	-	250
	=====	=====
Acquisition of equipment under capital lease	-	211
	=====	=====

The financial information contained herein is unaudited and has been extracted from the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2007. A summary of the significant accounting policies used by the Company is set out in the Company's 2006 Annual Report on Form 10-KSB.