

ECHELON CORPORATION
NON-GAAP CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
Excluding adjustments itemized below
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Revenues	\$ 7,498	\$ 9,590	\$ 32,385	\$ 38,804
Cost of revenues	3,324	4,065	14,255	16,603
Gross profit.....	4,174	5,525	18,130	22,201
Operating Expenses:				
Product development.....	1,989	2,266	8,087	9,443
Sales and marketing	1,552	1,585	6,132	7,924
General and administrative	1,593	2,207	7,926	9,670
Total operating expenses	5,134	6,058	22,145	27,037
Non-GAAP loss from operations	(960)	(533)	(4,015)	(4,836)
Interest and other income (expense), net	567	227	808	791
Interest expense on lease financing obligations..	--	(2)	--	(387)
Non-GAAP loss before taxes	(393)	(308)	(3,207)	(4,432)
Income tax expense (benefit).....	102	(14)	182	50
Non-GAAP net loss	<u>\$ (495)</u>	<u>\$ (294)</u>	<u>\$ (3,389)</u>	<u>\$ (4,482)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.11)	\$ (0.07)	\$ (0.77)	\$ (1.02)
Shares used in computing net loss per share:				
Diluted	4,432	4,416	4,425	4,409
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (1,237)	\$ (5,599)	\$ (4,103)	\$ (13,233)
Stock-based compensation	456	184	746	293
Restructuring charges	286	--	286	--
Adjustment to contingent consideration	--	(577)	(318)	(577)
Goodwill impairment.....	--	5,698	--	5,698
Lease termination charges	--	--	--	3,337
Total non-GAAP adjustments to earnings from operations	742	5,305	714	8,751
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (495)</u>	<u>\$ (294)</u>	<u>\$ (3,389)</u>	<u>\$ (4,482)</u>