

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

	Three Months Ended March 31,	
	2017	2016
Revenues .....	\$ 7,799	\$ 8,647
Cost of revenues .....	<u>3,297</u>	<u>3,794</u>
Gross profit .....	<u>4,502</u>	<u>4,853</u>
Operating Expenses:		
Product development.....	2,103	2,194
Sales and marketing .....	1,360	1,423
General and administrative.....	<u>1,712</u>	<u>2,219</u>
Total operating expenses .....	<u>5,175</u>	<u>5,836</u>
Non-GAAP loss from operations.....	(673)	(983)
Interest and other income (expense), net .....	<u>(65)</u>	<u>(205)</u>
Non-GAAP loss before taxes.....	(738)	(1,188)
Income tax expense (benefit).....	<u>(6)</u>	<u>6</u>
Non-GAAP net loss .....	<u>(732)</u>	<u>(1,194)</u>
Non-GAAP net income loss per share:		
Diluted .....	\$ (0.17)	\$ (0.27)
Shares used in computing net loss per share:		
Diluted .....	4,434	4,417

An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:

GAAP net loss .....	\$ (1,199)	\$ (875)
Stock-based compensation .....	467	(1)
Lumewave consideration adjustment .....	<u>--</u>	<u>(318)</u>
Total non-GAAP adjustments to earnings from operations .....	467	(319)
Income tax effect of reconciling items .....	<u>--</u>	<u>--</u>
Non-GAAP net loss .....	<u>\$ (732)</u>	<u>\$ (1,194)</u>