

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 8,021	\$ 8,061	\$ 15,820	\$ 16,708
Cost of revenues	3,450	3,443	6,747	7,237
Gross profit.....	4,571	4,618	9,073	9,471
Operating Expenses:				
Product development.....	2,136	1,944	4,239	4,138
Sales and marketing	1,436	1,636	2,796	3,059
General and administrative	1,678	2,076	3,390	4,295
Total operating expenses	5,250	5,656	10,425	11,492
Non-GAAP loss from operations	(679)	(1,038)	(1,352)	(2,021)
Interest and other income (expense), net	(220)	503	(285)	298
Non-GAAP loss before taxes	(899)	(535)	(1,637)	(1,723)
Income tax expense	29	51	23	57
Non-GAAP net loss	<u>\$ (928)</u>	<u>\$ (586)</u>	<u>\$ (1,660)</u>	<u>\$ (1,780)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.21)	\$ (0.13)	\$ (0.37)	\$ (0.40)
Shares used in computing net loss per share:				
Diluted	4,445	4,420	4,440	4,419
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (1,370)	\$ (763)	\$ (2,569)	\$ (1,638)
Stock-based compensation	442	177	909	176
Lumewave consideration adjustment	--	--	--	(318)
Total non-GAAP adjustments to earnings from operations	442	177	909	(142)
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (928)</u>	<u>\$ (586)</u>	<u>\$ (1,660)</u>	<u>\$ (1,780)</u>