

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,	
	2017	2016	2017	2016
Revenues	\$ 8,030	\$ 7,498	\$ 31,667	\$ 32,385
Cost of revenues	3,818	3,324	13,858	14,255
Gross profit.....	4,212	4,174	17,809	18,130
Operating Expenses:				
Product development.....	2,436	1,989	8,838	8,087
Sales and marketing	1,411	1,552	5,552	6,132
General and administrative	1,251	1,593	6,115	7,926
Total operating expenses	5,098	5,134	20,505	22,145
Non-GAAP loss from operations	(886)	(960)	(2,696)	(4,015)
Interest and other income (expense), net	(58)	567	(498)	808
Non-GAAP loss before taxes	(944)	(393)	(3,194)	(3,207)
Income tax expense (benefit).....	(53)	102	(28)	182
Non-GAAP net loss	<u>\$ (891)</u>	<u>\$ (495)</u>	<u>\$ (3,166)</u>	<u>\$ (3,389)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.20)	\$ (0.11)	\$ (0.71)	\$ (0.77)
Shares used in computing net loss per share:				
Diluted	4,520	4,432	4,465	4,425
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (1,202)	\$ (1,237)	\$ (4,623)	\$ (4,103)
Stock-based compensation	311	456	1,457	746
Restructuring charges	--	286	--	286
Lumewave consideration adjustment	--	--	--	(318)
Total non-GAAP adjustments to earnings from operations	311	742	1,457	714
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (891)</u>	<u>\$ (495)</u>	<u>\$ (3,166)</u>	<u>\$ (3,389)</u>