

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	\$ 7,817	\$ 8,179	\$ 23,637	\$ 24,887
Cost of revenues	3,293	3,694	10,040	10,931
Gross profit.....	4,524	4,485	13,597	13,956
Operating Expenses:				
Product development.....	2,163	1,960	6,402	6,098
Sales and marketing	1,345	1,521	4,141	4,580
General and administrative	1,474	2,038	4,864	6,333
Total operating expenses	4,982	5,519	15,407	17,011
Non-GAAP loss from operations	(458)	(1,034)	(1,810)	(3,055)
Interest and other income (expense), net	(155)	(57)	(440)	241
Non-GAAP loss before taxes	(613)	(1,091)	(2,250)	(2,814)
Income tax expense	2	23	25	80
Non-GAAP net loss	<u>\$ (615)</u>	<u>\$ (1,114)</u>	<u>\$ (2,275)</u>	<u>\$ (2,894)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.14)	\$ (0.25)	\$ (0.51)	\$ (0.65)
Shares used in computing net loss per share:				
Diluted	4,460	4,431	4,447	4,423
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (852)	\$ (1,228)	\$ (3,421)	\$ (2,866)
Stock-based compensation	237	114	1,146	290
Lumewave consideration adjustment	--	--	--	(318)
Total non-GAAP adjustments to earnings from operations	237	114	1,146	(28)
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (615)</u>	<u>\$ (1,114)</u>	<u>\$ (2,275)</u>	<u>\$ (2,894)</u>