

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,	
	2018	2017
Revenues .....	\$ 7,837	\$ 7,703
Cost of revenues .....	3,402	3,263
Gross profit .....	4,435	4,440
Operating Expenses:		
Product development.....	2,911	2,103
Sales and marketing .....	1,222	1,360
General and administrative.....	1,501	1,712
Total operating expenses .....	5,634	5,175
Non-GAAP loss from operations.....	(1,199)	(735)
Interest and other income (expense), net .....	258	(65)
Non-GAAP loss before taxes.....	(941)	(800)
Income tax expense (benefit).....	(6)	(6)
Non-GAAP net loss .....	<u>(935)</u>	<u>(794)</u>
Non-GAAP net income loss per share:		
Diluted .....	\$ (0.21)	\$ (0.18)
Shares used in computing net loss per share:		
Diluted .....	4,527	4,434

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

GAAP net loss .....	\$ (1,379)	\$ (1,261)
Stock-based compensation .....	444	467
Total non-GAAP adjustments to earnings from operations .....	444	467
Income tax effect of reconciling items .....	--	--
Non-GAAP net loss .....	<u>\$ (935)</u>	<u>\$ (794)</u>