

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,	
	2018	2017	2018	2017
Revenues	\$ 7,917	\$ 8,337	\$ 15,754	\$ 16,040
Cost of revenues	3,412	3,573	6,814	6,836
Gross profit.....	4,505	4,764	8,940	9,204
Operating Expenses:				
Product development.....	2,344	2,136	5,255	4,239
Sales and marketing	1,093	1,436	2,315	2,796
General and administrative	2,127	1,678	3,628	3,390
Total operating expenses	5,564	5,250	11,198	10,425
Non-GAAP loss from operations	(1,059)	(486)	(2,258)	(1,221)
Interest and other income (expense), net	376	(220)	634	(285)
Non-GAAP loss before taxes	(683)	(706)	(1,624)	(1,506)
Income tax expense	30	29	24	23
Non-GAAP net loss	<u>\$ (713)</u>	<u>\$ (735)</u>	<u>\$ (1,648)</u>	<u>\$ (1,529)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.16)	\$ (0.17)	\$ (0.36)	\$ (0.34)
Shares used in computing net loss per share:				
Diluted	4,542	4,445	4,534	4,440
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (1,222)	\$ (1,177)	\$ (2,601)	\$ (2,438)
Stock-based compensation	509	442	953	909
Total non-GAAP adjustments to earnings from operations	509	442	953	909
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (713)</u>	<u>\$ (735)</u>	<u>\$ (1,648)</u>	<u>\$ (1,529)</u>