

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,	
	2015	2014	2015	2014
Revenues	\$ 9,983	\$ 9,178	\$ 29,214	\$ 29,083
Cost of revenues	4,404	4,104	12,537	12,266
Gross profit.....	5,579	5,074	16,677	16,817
Operating Expenses:				
Product development.....	2,360	2,175	7,177	7,261
Sales and marketing	1,867	2,081	6,339	6,424
General and administrative	2,432	3,313	7,464	9,926
Total operating expenses	6,659	7,569	20,980	23,611
Non-GAAP loss from operations	(1,080)	(2,495)	(4,303)	(6,794)
Interest and other income (expense), net	184	719	564	661
Interest expense on lease financing obligations..	(5)	(271)	(385)	(839)
Non-GAAP loss before taxes	(901)	(2,047)	(4,124)	(6,972)
Income tax expense	(10)	33	64	114
Non-GAAP net loss	<u>\$ (891)</u>	<u>\$ (2,080)</u>	<u>\$ (4,188)</u>	<u>\$ (7,086)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.02)	\$ (0.05)	\$ (0.10)	\$ (0.16)
Shares used in computing net loss per share:				
Diluted	44,128	43,507	44,068	43,367
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (1,047)	\$ (9,188)	\$ (7,634)	\$ (21,773)
Stock-based compensation	156	510	109	1,336
Lease termination charges	--	--	3,337	--
Loss on write down of property and equipment	--	4,409	--	4,409
Restructuring charges	--	227	--	227
Loss from discontinued operations	--	1,962	--	8,715
Total non-GAAP adjustments to earnings from operations	156	7,108	3,446	14,687
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (891)</u>	<u>\$ (2,080)</u>	<u>\$ (4,188)</u>	<u>\$ (7,086)</u>