

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,	
	2015	2014	2015	2014
Revenues	\$ 9,590	\$ 9,647	\$ 38,804	\$ 38,730
Cost of revenues	4,065	4,260	16,602	16,526
Gross profit.....	<u>5,525</u>	<u>5,387</u>	<u>22,202</u>	<u>22,204</u>
Operating Expenses:				
Product development.....	2,266	2,322	9,443	9,583
Sales and marketing	1,585	2,468	7,924	8,892
General and administrative	2,206	2,694	9,670	12,620
Total operating expenses	<u>6,057</u>	<u>7,484</u>	<u>27,037</u>	<u>31,095</u>
Non-GAAP loss from operations	(532)	(2,097)	(4,835)	(8,891)
Interest and other income (expense), net	227	269	791	930
Interest expense on lease financing obligations..	(2)	(261)	(387)	(1,100)
Non-GAAP loss before taxes	(307)	(2,089)	(4,431)	(9,061)
Income tax expense (benefit).....	(14)	97	50	211
Non-GAAP net loss	<u>\$ (293)</u>	<u>\$ (2,186)</u>	<u>\$ (4,481)</u>	<u>\$ (9,272)</u>
Non-GAAP net loss per share:				
Diluted	\$ (0.07)	\$ (0.50)	\$ (1.02)	\$ (2.13)
Shares used in computing net loss per share:				
Diluted	4,416	4,390	4,409	4,350
An itemized reconciliation between net earnings on a GAAP basis and non-GAAP basis is as follows:				
GAAP net loss	\$ (5,599)	\$ (2,553)	\$ (13,233)	\$ (24,326)
Stock-based compensation	185	203	294	1,539
Goodwill impairment.....	5,698	--	5,698	--
Lumewave consideration adjustment	(577)	--	(577)	--
Lease termination charges	--	--	3,337	--
Loss on write down of property and equipment	--	--	--	4,409
Restructuring charges	--	164	--	391
Loss from discontinued operations	--	--	--	8,715
Total non-GAAP adjustments to earnings from operations	<u>5,306</u>	<u>367</u>	<u>8,752</u>	<u>15,054</u>
Income tax effect of reconciling items	--	--	--	--
Non-GAAP net loss	<u>\$ (293)</u>	<u>\$ (2,186)</u>	<u>\$ (4,481)</u>	<u>\$ (9,272)</u>