

LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>September 30,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,097	\$ 5,962
Accounts receivable, net	3,189	3,164
Inventories, net	7,390	6,584
Contract manufacturers' receivable	286	369
Prepaid expenses and other current assets	479	580
Total current assets	<u>17,441</u>	<u>16,659</u>
Property and equipment, net	1,491	1,569
Goodwill	9,488	9,488
Other assets	49	63
Total assets	<u><u>\$ 28,469</u></u>	<u><u>\$ 27,779</u></u>
 Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,825	\$ 2,721
Accrued payroll and related expenses	1,881	1,817
Warranty reserve	152	138
Other current liabilities	3,349	2,922
Total current liabilities	<u>8,207</u>	<u>7,598</u>
Long-term capital lease obligations	102	116
Other non-current liabilities	345	347
Total liabilities	<u><u>8,654</u></u>	<u><u>8,061</u></u>
 Commitments and contingencies		
 Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	209,504	209,297
Accumulated deficit	(190,062)	(189,952)
Accumulated other comprehensive income	371	371
Total stockholders' equity	<u>19,815</u>	<u>19,718</u>
Total liabilities and stockholders' equity	<u><u>\$ 28,469</u></u>	<u><u>\$ 27,779</u></u>

LANTRONIX, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
Net revenue (1)	\$ 10,940	\$ 10,515	\$ 10,573
Cost of revenue	5,240	5,571	5,506
Gross profit	<u>5,700</u>	<u>4,944</u>	<u>5,067</u>
Operating expenses:			
Selling, general and administrative	3,842	3,388	3,725
Research and development	<u>1,945</u>	<u>1,779</u>	<u>1,671</u>
Total operating expenses	<u>5,787</u>	<u>5,167</u>	<u>5,396</u>
Loss from operations	(87)	(223)	(329)
Interest expense, net	(7)	(9)	(6)
Other income (expense), net	<u>(3)</u>	<u>14</u>	<u>19</u>
Loss before income taxes	(97)	(218)	(316)
Provision for income taxes	<u>7</u>	<u>29</u>	<u>15</u>
Net loss	<u>\$ (104)</u>	<u>\$ (247)</u>	<u>\$ (331)</u>
Net loss per share (basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted-average common shares (basic and diluted)	<u>17,254</u>	<u>15,554</u>	<u>15,103</u>
Net revenue from related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68</u>

(1) Includes net revenue from related parties

LANTRONIX, INC.
UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
GAAP net loss	\$ (104)	\$ (247)	\$ (331)
Non-GAAP adjustments:			
Cost of revenue:			
Share-based compensation	11	11	18
Depreciation and amortization	89	84	146
Total adjustments to cost of revenue	<u>100</u>	<u>95</u>	<u>164</u>
Selling, general and administrative:			
Share-based compensation	149	148	171
Employer portion of withholding taxes on stock grants	-	-	2
Depreciation and amortization	54	56	51
Total adjustments to selling, general and administrative	<u>203</u>	<u>204</u>	<u>224</u>
Research and development:			
Share-based compensation	41	40	44
Depreciation and amortization	8	5	21
Total adjustments to research and development	<u>49</u>	<u>45</u>	<u>65</u>
Total non-GAAP adjustments to operating expenses	<u>252</u>	<u>249</u>	<u>289</u>
Interest expense, net	7	9	6
Other income (expense), net	3	(14)	(19)
Provision for income taxes	7	29	15
Total non-GAAP adjustments	<u>369</u>	<u>368</u>	<u>455</u>
Non-GAAP net income	<u>\$ 265</u>	<u>\$ 121</u>	<u>\$ 124</u>
Non-GAAP net income per share (diluted)	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Denominator for GAAP net loss per share (diluted)	17,254	15,554	15,103
Non-GAAP adjustment	<u>692</u>	<u>336</u>	<u>117</u>
Denominator for non-GAAP net income per share (diluted)	<u>17,946</u>	<u>15,890</u>	<u>15,220</u>
GAAP operating expenses	\$ 5,787	\$ 5,167	\$ 5,396
Non-GAAP adjustments to operating expenses	<u>(252)</u>	<u>(249)</u>	<u>(289)</u>
Non-GAAP operating expenses	<u>\$ 5,535</u>	<u>\$ 4,918</u>	<u>\$ 5,107</u>

LANTRONIX, INC.
UNAUDITED NET REVENUES BY PRODUCT LINE AND REGION
(In thousands)

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
IoT	\$ 7,869	\$ 8,029	\$ 7,883
IT Management	2,437	1,675	1,348
Other	634	811	1,342
	\$ 10,940	\$ 10,515	\$ 10,573

	Three Months Ended		
	September 30, 2016	June 30, 2016	September 30, 2015
Americas	\$ 6,166	\$ 5,305	\$ 5,109
EMEA	3,101	3,304	3,821
Asia Pacific Japan	1,673	1,906	1,643
	\$ 10,940	\$ 10,515	\$ 10,573