

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

	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,562	\$ 4,989
Accounts receivable, net	2,343	2,658
Inventories, net	7,861	9,503
Contract manufacturers' receivable	482	369
Prepaid expenses and other current assets	615	400
Total current assets	15,863	17,919
Property and equipment, net	1,684	1,471
Goodwill	9,488	9,488
Other assets	56	93
Total assets	\$ 27,091	\$ 28,971
 <b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 2,575	\$ 3,633
Line of credit	700	700
Accrued payroll and related expenses	1,655	1,685
Warranty reserve	142	163
Other current liabilities	3,575	3,849
Total current liabilities	8,647	10,030
Long-term capital lease obligations	150	152
Other non-current liabilities	310	80
Total liabilities	9,107	10,262
 Commitments and contingencies		
 Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	206,860	206,326
Accumulated deficit	(189,249)	(187,990)
Accumulated other comprehensive income	371	371
Total stockholders' equity	17,984	18,709
Total liabilities and stockholders' equity	\$ 27,091	\$ 28,971

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	<b>Three Months Ended</b>		
	<b>December 31, 2015</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Net revenue (1)	\$ 9,540	\$ 10,573	\$ 10,735
Cost of revenue	4,951	5,506	5,565
Gross profit	4,589	5,067	5,170
Operating expenses:			
Selling, general and administrative	3,814	3,725	3,992
Research and development	1,716	1,671	1,782
Total operating expenses	5,530	5,396	5,774
Loss from operations	(941)	(329)	(604)
Interest expense, net	(9)	(6)	(3)
Other income (expense), net	28	19	1
Loss before income taxes	(922)	(316)	(606)
Provision for income taxes	6	15	26
Net loss and comprehensive loss	\$ (928)	\$ (331)	\$ (632)
Net loss per share (basic and diluted)	\$ (0.06)	\$ (0.02)	\$ (0.04)
Weighted-average common shares (basic and diluted)	15,160	15,103	14,874
Net revenue from related parties	\$ 45	\$ 68	\$ 112

(1) Includes net revenue from related parties

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

	Three Months Ended			Six Months Ended	
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	2014
GAAP net loss	\$ (928)	\$ (331)	\$ (632)	\$ (1,259)	\$ (894)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	20	18	16	38	36
Depreciation and amortization	127	146	149	273	288
Total adjustments to cost of revenue	147	164	165	311	324
Selling, general and administrative:					
Share-based compensation	182	171	195	353	369
Employer portion of withholding taxes on stock grants	2	2	-	4	-
Depreciation and amortization	65	51	63	116	128
Total adjustments to selling, general and administrative	249	224	258	473	497
Research and development:					
Share-based compensation	50	44	54	94	115
Employer portion of withholding taxes on stock grants	-	-	6	-	6
Depreciation and amortization	13	21	22	34	47
Total adjustments to research and development	63	65	82	128	168
Severance charges	286	-	-	286	-
Total non-GAAP adjustments to operating expenses	598	289	340	887	665
Interest expense, net	9	6	3	15	8
Other income (expense), net	(28)	(19)	(1)	(47)	20
Provision for income taxes	6	15	26	21	42
Total non-GAAP adjustments	732	455	533	1,187	1,059
Non-GAAP net income (loss)	\$ (196)	\$ 124	\$ (99)	\$ (72)	\$ 165
Non-GAAP net income (loss) per share (diluted)	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.00)	\$ 0.01
Denominator for GAAP net income (loss) per share (diluted)	15,160	15,103	14,874	15,131	14,831
Non-GAAP adjustment	-	117	-	-	485
Denominator for non-GAAP net income (loss) per share (diluted)	15,160	15,220	14,874	15,131	15,316
GAAP operating expenses	\$ 5,530	\$ 5,396	\$ 5,774	\$ 10,926	\$ 11,593
Non-GAAP adjustments to operating expenses	(598)	(289)	(340)	(887)	(665)
Non-GAAP operating expenses	\$ 4,932	\$ 5,107	\$ 5,434	\$ 10,039	\$ 10,928

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

**Three Months Ended**

	<b>December 31, 2015</b>			<b>September 30, 2015</b>			<b>December 31, 2014</b>		
	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>
New Products	\$ 447	\$ 1,382	\$ 1,829	\$ 480	\$ 1,273	\$ 1,753	\$ 291	\$ 1,354	\$ 1,645
Legacy Products	4,449	3,262	7,711	4,752	4,068	8,820	5,007	4,083	9,090
	<u>\$ 4,896</u>	<u>\$ 4,644</u>	<u>\$ 9,540</u>	<u>\$ 5,232</u>	<u>\$ 5,341</u>	<u>\$ 10,573</u>	<u>\$ 5,298</u>	<u>\$ 5,437</u>	<u>\$ 10,735</u>

**Three Months Ended**

	<b>December 31, 2015</b>			<b>September 30, 2015</b>			<b>December 31, 2014</b>		
	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>IoT Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>
Americas	\$ 2,186	\$ 3,017	\$ 5,203	\$ 1,664	\$ 3,445	\$ 5,109	\$ 1,971	\$ 3,662	\$ 5,633
EMEA	1,746	1,074	2,820	2,572	1,249	3,821	2,154	1,150	3,304
Asia Pacific	549	344	893	517	384	901	550	349	899
Japan	415	209	624	479	263	742	623	276	899
	<u>\$ 4,896</u>	<u>\$ 4,644</u>	<u>\$ 9,540</u>	<u>\$ 5,232</u>	<u>\$ 5,341</u>	<u>\$ 10,573</u>	<u>\$ 5,298</u>	<u>\$ 5,437</u>	<u>\$ 10,735</u>

**Six Months Ended December 31,**

	<b>2015</b>			<b>2014</b>		
	<b>OEM Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>OEM Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>
New Products	\$ 927	\$ 2,655	\$ 3,582	\$ 475	\$ 2,890	\$ 3,365
Legacy Products	9,201	7,330	16,531	10,451	8,455	18,906
	<u>\$ 10,128</u>	<u>\$ 9,985</u>	<u>\$ 20,113</u>	<u>\$ 10,926</u>	<u>\$ 11,345</u>	<u>\$ 22,271</u>

**Six Months Ended December 31,**

	<b>2015</b>			<b>2014</b>		
	<b>OEM Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>	<b>OEM Modules</b>	<b>Enterprise Solutions</b>	<b>Total</b>
Americas	\$ 3,850	\$ 6,462	\$ 10,312	\$ 4,380	\$ 7,812	\$ 12,192
EMEA	4,318	2,323	6,641	4,323	2,275	6,598
Asia Pacific	1,066	728	1,794	1,167	661	1,828
Japan	894	472	1,366	1,056	597	1,653
	<u>\$ 10,128</u>	<u>\$ 9,985</u>	<u>\$ 20,113</u>	<u>\$ 10,926</u>	<u>\$ 11,345</u>	<u>\$ 22,271</u>