

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

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,698	\$ 5,962
Accounts receivable, net	2,866	3,164
Inventories, net	7,614	6,584
Contract manufacturers' receivable	366	369
Prepaid expenses and other current assets	566	580
Total current assets	<u>18,110</u>	<u>16,659</u>
Property and equipment, net	1,402	1,569
Goodwill	9,488	9,488
Other assets	47	63
Total assets	<u>\$ 29,047</u>	<u>\$ 27,779</u>
 <b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 2,280	\$ 2,721
Accrued payroll and related expenses	2,833	1,817
Warranty reserve	153	138
Other current liabilities	3,235	2,922
Total current liabilities	<u>8,501</u>	<u>7,598</u>
Long-term capital lease obligations	87	116
Other non-current liabilities	353	347
Total liabilities	<u>8,941</u>	<u>8,061</u>
 Commitments and contingencies		
 Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	209,754	209,297
Accumulated deficit	(190,021)	(189,952)
Accumulated other comprehensive income	371	371
Total stockholders' equity	<u>20,106</u>	<u>19,718</u>
Total liabilities and stockholders' equity	<u>\$ 29,047</u>	<u>\$ 27,779</u>

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

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>2015</u>
Net revenue (1)	\$ 11,222	\$ 10,940	\$ 9,540	\$ 22,162	\$ 20,113
Cost of revenue	5,410	5,240	4,951	10,650	10,457
Gross profit	5,812	5,700	4,589	11,512	9,656
Operating expenses:					
Selling, general and administrative	3,873	3,842	3,814	7,715	7,539
Research and development	1,873	1,945	1,716	3,818	3,387
Total operating expenses	5,746	5,787	5,530	11,533	10,926
Income (loss) from operations	66	(87)	(941)	(21)	(1,270)
Interest expense, net	(6)	(7)	(9)	(13)	(15)
Other income (expense), net	4	(3)	28	1	47
Income (loss) before income taxes	64	(97)	(922)	(33)	(1,238)
Provision for income taxes	23	7	6	30	21
Net income (loss)	<u>\$ 41</u>	<u>\$ (104)</u>	<u>\$ (928)</u>	<u>\$ (63)</u>	<u>\$ (1,259)</u>
Net income (loss) per share (basic)	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ (0.00)</u>	<u>\$ (0.08)</u>
Net income (loss) per share (diluted)	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ (0.00)</u>	<u>\$ (0.08)</u>
Weighted-average common shares (basic)	<u>17,347</u>	<u>17,254</u>	<u>15,160</u>	<u>17,300</u>	<u>15,131</u>
Weighted-average common shares (diluted)	<u>17,703</u>	<u>17,254</u>	<u>15,160</u>	<u>17,300</u>	<u>15,131</u>
Net revenue from related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 113</u>

(1) Includes net revenue from related parties

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

	<b>Three Months Ended</b>			<b>Six Months Ended</b>	
	<b>December 31, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>2015</b>
GAAP net income (loss)	\$ 41	\$ (104)	\$ (928)	\$ (63)	\$ (1,259)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	13	11	20	24	38
Depreciation and amortization	84	89	127	173	273
Total adjustments to cost of revenue	<u>97</u>	<u>100</u>	<u>147</u>	<u>197</u>	<u>311</u>
Selling, general and administrative:					
Share-based compensation	162	149	182	311	353
Employer portion of withholding taxes on stock grants	5	-	2	5	4
Depreciation and amortization	56	54	65	110	116
Total adjustments to selling, general and administrative	<u>223</u>	<u>203</u>	<u>249</u>	<u>426</u>	<u>473</u>
Research and development:					
Share-based compensation	45	41	50	86	94
Depreciation and amortization	13	8	13	21	34
Total adjustments to research and development	<u>58</u>	<u>49</u>	<u>63</u>	<u>107</u>	<u>128</u>
Severance charges	-	-	286	-	286
Total non-GAAP adjustments to operating expenses	<u>281</u>	<u>252</u>	<u>598</u>	<u>533</u>	<u>887</u>
Interest expense, net	6	7	9	13	15
Other income (expense), net	(4)	3	(28)	(1)	(47)
Provision for income taxes	23	7	6	30	21
Total non-GAAP adjustments	<u>403</u>	<u>369</u>	<u>732</u>	<u>772</u>	<u>1,187</u>
Non-GAAP net income (loss)	<u>\$ 444</u>	<u>\$ 265</u>	<u>\$ (196)</u>	<u>\$ 709</u>	<u>\$ (72)</u>
GAAP operating expenses	\$ 5,746	\$ 5,787	\$ 5,530	\$ 11,533	\$ 10,926
Non-GAAP adjustments to operating expenses	<u>(281)</u>	<u>(252)</u>	<u>(598)</u>	<u>(533)</u>	<u>(887)</u>
Non-GAAP operating expenses	<u>\$ 5,465</u>	<u>\$ 5,535</u>	<u>\$ 4,932</u>	<u>\$ 11,000</u>	<u>\$ 10,039</u>

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

	<b>Three Months Ended</b>			<b>Six Months Ended</b>	
	<b>December 31, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
IoT	\$ 8,304	\$ 7,869	\$ 7,086	\$ 16,173	\$ 14,969
IT Management	2,265	2,437	1,318	4,702	2,666
Other	653	634	1,136	1,287	2,478
	<u>\$ 11,222</u>	<u>\$ 10,940</u>	<u>\$ 9,540</u>	<u>\$ 22,162</u>	<u>\$ 20,113</u>

	<b>Three Months Ended</b>			<b>Six Months Ended</b>	
	<b>December 31, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Americas	\$ 6,453	\$ 6,166	\$ 5,203	\$ 12,619	\$ 10,312
EMEA	3,122	3,101	2,820	6,223	6,641
Asia Pacific Japan	1,647	1,673	1,517	3,320	3,160
	<u>\$ 11,222</u>	<u>\$ 10,940</u>	<u>\$ 9,540</u>	<u>\$ 22,162</u>	<u>\$ 20,113</u>