

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

	March 31, 2017	June 30, 2016
	<hr/>	<hr/>
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,389	\$ 5,962
Accounts receivable, net	2,827	3,164
Inventories, net	7,664	6,584
Contract manufacturers' receivable	314	369
Prepaid expenses and other current assets	536	580
Total current assets	<hr/> 18,730	<hr/> 16,659
Property and equipment, net	1,278	1,569
Goodwill	9,488	9,488
Other assets	49	63
Total assets	<hr/> <hr/> \$ 29,545	<hr/> <hr/> \$ 27,779
 Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,719	\$ 2,721
Accrued payroll and related expenses	2,623	1,817
Warranty reserve	116	138
Other current liabilities	3,344	2,922
Total current liabilities	<hr/> 8,802	<hr/> 7,598
Long-term capital lease obligations	71	116
Other non-current liabilities	378	347
Total liabilities	<hr/> <hr/> 9,251	<hr/> <hr/> 8,061
 Commitments and contingencies		
 Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	210,104	209,297
Accumulated deficit	(190,183)	(189,952)
Accumulated other comprehensive income	371	371
Total stockholders' equity	<hr/> 20,294	<hr/> 19,718
Total liabilities and stockholders' equity	<hr/> <hr/> \$ 29,545	<hr/> <hr/> \$ 27,779

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

	Three Months Ended			Nine Months Ended	
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	
Net revenue (1)	\$ 11,524	\$ 11,222	\$ 9,964	\$ 33,686	\$ 30,077
Cost of revenue	5,126	5,410	5,186	15,776	15,643
Gross profit	6,398	5,812	4,778	17,910	14,434
Operating expenses:					
Selling, general and administrative	4,414	3,873	3,469	12,129	11,008
Research and development	2,126	1,873	1,744	5,944	5,131
Total operating expenses	6,540	5,746	5,213	18,073	16,139
Income (loss) from operations	(142)	66	(435)	(163)	(1,705)
Interest expense, net	(5)	(6)	(8)	(18)	(23)
Other income (expense), net	2	4	-	3	47
Loss before income taxes	(145)	64	(443)	(178)	(1,681)
Provision for income taxes	17	23	13	47	34
Net income (loss)	\$ (162)	\$ 41	\$ (456)	\$ (225)	\$ (1,715)
Net income (loss) per share (basic)	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ (0.01)	\$ (0.11)
Net income (loss) per share (diluted)	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ (0.01)	\$ (0.11)
Weighted-average common shares (basic)	17,522	17,347	15,225	17,374	15,163
Weighted-average common shares (diluted)	17,522	17,703	15,225	17,374	15,163
Net revenue from related parties	\$ -	\$ -	\$ -	\$ -	\$ 113

(1) Includes net revenue from related parties

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

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>	<u>March 31,</u> <u>2017</u>	<u>2016</u>
GAAP net income (loss)	\$ (162)	\$ 41	\$ (456)	\$ (225)	\$ (1,715)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	12	13	14	36	52
Depreciation and amortization	87	84	120	260	393
Total adjustments to cost of revenue	<u>99</u>	<u>97</u>	<u>134</u>	<u>296</u>	<u>445</u>
Selling, general and administrative:					
Share-based compensation	169	162	131	480	484
Employer portion of withholding taxes on stock grants	4	5	-	9	4
Depreciation and amortization	56	56	55	166	171
Total adjustments to selling, general and administrative	<u>229</u>	<u>223</u>	<u>186</u>	<u>655</u>	<u>659</u>
Research and development:					
Share-based compensation	43	45	41	129	135
Employer portion of withholding taxes on stock grants	1	-	-	1	-
Depreciation and amortization	8	13	16	29	50
Total adjustments to research and development	<u>52</u>	<u>58</u>	<u>57</u>	<u>159</u>	<u>185</u>
Severance charges	-	-	-	-	286
Restructuring charges	246	-	247	246	247
Total non-GAAP adjustments to operating expenses	<u>527</u>	<u>281</u>	<u>490</u>	<u>1,060</u>	<u>1,377</u>
Interest expense, net	5	6	8	18	23
Other income (expense), net	(2)	(4)	-	(3)	(47)
Provision for income taxes	17	23	13	47	34
Total non-GAAP adjustments	<u>646</u>	<u>403</u>	<u>645</u>	<u>1,418</u>	<u>1,832</u>
Non-GAAP net income	<u>\$ 484</u>	<u>\$ 444</u>	<u>\$ 189</u>	<u>\$ 1,193</u>	<u>\$ 117</u>

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

	Three Months Ended			Nine Months Ended	
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016
IoT	\$ 8,644	\$ 8,304	\$ 7,573	\$ 24,817	\$ 22,542
IT Management	2,569	2,265	1,331	7,271	3,997
Other	311	653	1,060	1,598	3,538
	<u>\$ 11,524</u>	<u>\$ 11,222</u>	<u>\$ 9,964</u>	<u>\$ 33,686</u>	<u>\$ 30,077</u>

	Three Months Ended			Nine Months Ended	
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2016
Americas	\$ 6,625	\$ 6,453	\$ 5,027	\$ 19,244	\$ 15,339
EMEA	3,392	3,122	3,190	9,615	9,831
Asia Pacific Japan	1,507	1,647	1,747	4,827	4,907
	<u>\$ 11,524</u>	<u>\$ 11,222</u>	<u>\$ 9,964</u>	<u>\$ 33,686</u>	<u>\$ 30,077</u>