



LANTRONIX, INC.
Unaudited Consolidated Balance Sheets
(In thousands, except share and par value data)

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,962	\$ 4,989
Accounts receivable (net of allowance for doubtful accounts of \$37 and \$45 at June 30, 2016 and 2015, respectively)	3,164	2,658
Inventories, net	6,584	9,503
Contract manufacturers' receivable	369	369
Prepaid expenses and other current assets	580	400
Total current assets	<u>16,659</u>	<u>17,919</u>
Property and equipment, net	1,569	1,471
Goodwill	9,488	9,488
Other assets	63	93
Total assets	<u>\$ 27,779</u>	<u>\$ 28,971</u>
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable	\$ 2,721	\$ 3,633
Line of credit	-	700
Accrued payroll and related expenses	1,817	1,685
Warranty reserve	138	163
Other current liabilities	2,922	3,849
Total current liabilities	<u>7,598</u>	<u>10,030</u>
Long-term capital lease obligations	116	152
Other non-current liabilities	347	80
Total liabilities	<u>8,061</u>	<u>10,262</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 17,253,799 and 15,089,720 shares issued and outstanding at June 30, 2016 and 2015, respectively	2	2
Additional paid-in capital	209,297	206,326
Accumulated deficit	(189,952)	(187,990)
Accumulated other comprehensive income	371	371
Total stockholders' equity	<u>19,718</u>	<u>18,709</u>
Total liabilities and stockholders' equity	<u>\$ 27,779</u>	<u>\$ 28,971</u>



LANTRONIX, INC.
Unaudited Consolidated Statements of Operations
(In thousands, except per share data)

	<u>Three Months Ended</u>			<u>Years Ended</u>	
	<u>June 30,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u> <u>2015</u>	
Net revenue (1)	\$ 10,515	\$ 9,964	\$ 10,231	\$ 40,592	\$ 42,946
Cost of revenue	5,571	5,186	5,411	21,214	22,648
Gross profit	<u>4,944</u>	<u>4,778</u>	<u>4,820</u>	<u>19,378</u>	<u>20,298</u>
Operating expenses:					
Selling, general and administrative	3,388	3,469	4,060	14,396	16,041
Research and development	1,779	1,744	1,778	6,910	6,923
Total operating expenses	<u>5,167</u>	<u>5,213</u>	<u>5,838</u>	<u>21,306</u>	<u>22,964</u>
Loss from operations	(223)	(435)	(1,018)	(1,928)	(2,666)
Interest expense, net	(9)	(8)	(5)	(32)	(17)
Other income (expense), net	14	-	(5)	61	(30)
Loss before income taxes	(218)	(443)	(1,028)	(1,899)	(2,713)
Provision for income taxes	29	13	10	63	58
Net loss	<u>\$ (247)</u>	<u>\$ (456)</u>	<u>\$ (1,038)</u>	<u>\$ (1,962)</u>	<u>\$ (2,771)</u>
Net loss per share (basic and diluted)	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	<u>\$ (0.13)</u>	<u>\$ (0.19)</u>
Weighted average shares (basic and diluted)	<u>15,554</u>	<u>15,225</u>	<u>15,012</u>	<u>15,260</u>	<u>14,904</u>
Net revenue from related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 113</u>	<u>\$ 298</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			Years Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	2015
GAAP net loss	\$ (247)	\$ (456)	\$ (1,038)	\$ (1,962)	\$ (2,771)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	11	14	16	63	69
Depreciation and amortization	84	120	140	477	571
Total adjustment to costs of revenue	95	134	156	540	640
Selling, general and administrative:					
Share-based compensation	148	131	187	632	745
Employer portion of withholding taxes on stock grants	-	-	-	4	-
Depreciation and amortization	56	55	37	227	217
Total adjustments to selling, general and administrative	204	186	224	863	962
Research and development:					
Share-based compensation	40	41	42	175	201
Employer portion of withholding taxes on stock grants	-	-	-	-	6
Depreciation and amortization	5	16	21	55	90
Total adjustments to research and development	45	57	63	230	297
Severance charges	-	-	-	286	-
Restructuring charges	-	247	-	247	-
Total non-GAAP adjustments to operating expenses	249	490	287	1,626	1,259
Interest expense, net	9	8	5	32	17
Other (income) expense, net	(14)	-	5	(61)	30
Provision for income taxes	29	13	10	63	58
Total Non-GAAP adjustments	368	645	463	2,200	2,004
Non-GAAP net income (loss)	\$ 121	\$ 189	\$ (575)	\$ 238	\$ (767)
Non-GAAP net income (loss) per share (diluted)	\$ 0.01	\$ 0.01	\$ (0.04)	\$ 0.02	\$ (0.05)
Denominator for GAAP net income (loss) per share (diluted)	15,554	15,225	15,012	15,260	14,904
Non-GAAP adjustment	336	88	-	157	-
Denominator for non-GAAP net income (loss) per share (diluted)	15,890	15,313	15,012	15,417	14,904
GAAP operating expenses	\$ 5,167	\$ 5,213	\$ 5,838	\$ 21,306	\$ 22,964
Non-GAAP adjustments to operating expenses	(249)	(490)	(287)	(1,626)	(1,259)
Non-GAAP operating expenses	\$ 4,918	\$ 4,723	\$ 5,551	\$ 19,680	\$ 21,705



To more closely align the categorization of our product lines with how we position them in the marketplace, we have reorganized our products and solutions into three product lines: IoT, IT Management and Other. Until this recent change, we had organized our products and solutions into two product lines: IoT Modules and Enterprise Solutions. In addition, we had defined “New Products” as those that had been released since the start of the second quarter of the fiscal year ended June 30, 2012; all other products had been referred to as “Legacy Products.”

LANTRONIX, INC.
Unaudited Net Revenues by Product Line and Region
(In thousands)

	Three Months Ended			Years Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
IoT	\$ 8,029	\$ 7,572	\$ 7,649	\$ 30,568	\$ 32,067
IT Management	1,585	1,251	1,179	5,279	3,871
Other	901	1,141	1,403	4,745	7,008
	\$ 10,515	\$ 9,964	\$ 10,231	\$ 40,592	\$ 42,946

	Three Months Ended			Years Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Americas	\$ 5,305	\$ 5,025	\$ 5,603	\$ 20,643	\$ 23,178
EMEA	3,304	3,190	3,012	13,135	12,933
Asia Pacific Japan	1,906	1,749	1,616	6,814	6,835
	\$ 10,515	\$ 9,964	\$ 10,231	\$ 40,592	\$ 42,946

For comparative purposes, the following tables present our product line categorizations prior to our decision to reorganize how we present this information during the fourth quarter of fiscal 2016. Going forward, we do not plan to disclose our net revenue by these categorizations.

	Three Months Ended			Years Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
IoT Modules	\$ 5,379	\$ 5,240	\$ 5,075	\$ 20,747	\$ 21,230
Enterprise Solutions	5,136	4,724	5,156	19,845	21,716
	\$ 10,515	\$ 9,964	\$ 10,231	\$ 40,592	\$ 42,946

	Three Months Ended			Years Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
New Products	\$ 2,771	2,206	\$ 1,747	\$ 8,559	\$ 6,762
Legacy Products	7,744	7,758	8,484	32,033	36,184
	\$ 10,515	\$ 9,964	\$ 10,231	\$ 40,592	\$ 42,946