

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

	<u>December 31,</u> <u>2017</u>	<u>June 30,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,423	\$ 8,073
Accounts receivable, net	3,962	3,432
Inventories, net	7,061	6,959
Contract manufacturers' receivable	539	476
Prepaid expenses and other current assets	478	440
Total current assets	20,463	19,380
Property and equipment, net	1,113	1,218
Goodwill	9,488	9,488
Other assets	45	46
Total assets	\$ 31,109	\$ 30,132
 Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,013	\$ 2,717
Accrued payroll and related expenses	2,664	3,084
Warranty reserve	121	125
Other current liabilities	2,708	3,063
Total current liabilities	9,506	8,989
Long-term capital lease obligations	28	59
Other non-current liabilities	355	396
Total liabilities	9,889	9,444
 Commitments and contingencies		
 Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	211,498	210,550
Accumulated deficit	(190,651)	(190,235)
Accumulated other comprehensive income	371	371
Total stockholders' equity	21,220	20,688
Total liabilities and stockholders' equity	\$ 31,109	\$ 30,132

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>2017</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u>	
				<u>2017</u>	<u>2016</u>
Net revenue	\$ 11,336	\$ 10,606	\$ 11,222	\$ 21,942	\$ 22,162
Cost of revenue	5,022	5,012	5,410	10,034	10,650
Gross profit	6,314	5,594	5,812	11,908	11,512
Operating expenses:					
Selling, general and administrative	4,173	3,986	3,873	8,159	7,715
Research and development	1,874	2,221	1,873	4,095	3,818
Total operating expenses	6,047	6,207	5,746	12,254	11,533
Income (loss) from operations	267	(613)	66	(346)	(21)
Interest expense, net	(5)	(4)	(6)	(9)	(13)
Other income, net	1	1	4	2	1
Income (loss) before income taxes	263	(616)	64	(353)	(33)
Provision for income taxes	38	25	23	63	30
Net income (loss)	<u>\$ 225</u>	<u>\$ (641)</u>	<u>\$ 41</u>	<u>\$ (416)</u>	<u>\$ (63)</u>
Net income (loss) per share (basic)	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Net income (loss) per share (diluted)	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Weighted-average common shares (basic)	<u>18,073</u>	<u>17,867</u>	<u>17,347</u>	<u>17,970</u>	<u>17,300</u>
Weighted-average common shares (diluted)	<u>18,739</u>	<u>17,867</u>	<u>17,703</u>	<u>17,970</u>	<u>17,300</u>

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

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>2016</u>
GAAP net income (loss)	\$ 225	\$ (641)	\$ 41	\$ (416)	\$ (63)
Non-GAAP adjustments:					
Cost of revenue:					
Share-based compensation	13	13	13	26	24
Depreciation and amortization	53	62	84	115	173
Total adjustments to cost of revenue	66	75	97	141	197
Selling, general and administrative:					
Share-based compensation	239	212	162	451	311
Employer portion of withholding taxes on stock grants	3	2	5	5	5
Depreciation and amortization	46	45	56	91	110
Total adjustments to selling, general and administrative	288	259	223	547	426
Research and development:					
Share-based compensation	58	47	45	105	86
Employer portion of withholding taxes on stock grants	-	1	-	1	-
Depreciation and amortization	10	10	13	20	21
Total adjustments to research and development	68	58	58	126	107
Severance and related charges	-	527	-	527	-
Total non-GAAP adjustments to operating expenses	356	844	281	1,200	533
Interest expense, net	5	4	6	9	13
Other income, net	(1)	(1)	(4)	(2)	(1)
Provision for income taxes	38	25	23	63	30
Total non-GAAP adjustments	464	947	403	1,411	772
Non-GAAP net income	<u>\$ 689</u>	<u>\$ 306</u>	<u>\$ 444</u>	<u>\$ 995</u>	<u>\$ 709</u>

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

	Three Months Ended			Six Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
IoT	\$ 7,971	\$ 8,477	\$ 8,304	\$ 16,448	\$ 16,173
IT Management	3,218	1,789	2,265	5,007	4,702
Other	147	340	653	487	1,287
	<u>\$ 11,336</u>	<u>\$ 10,606</u>	<u>\$ 11,222</u>	<u>\$ 21,942</u>	<u>\$ 22,162</u>

	Three Months Ended			Six Months Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Americas	\$ 6,292	\$ 5,697	\$ 6,453	\$ 11,989	\$ 12,619
EMEA	3,172	3,164	3,122	6,336	6,223
Asia Pacific Japan	1,872	1,745	1,647	3,617	3,320
	<u>\$ 11,336</u>	<u>\$ 10,606</u>	<u>\$ 11,222</u>	<u>\$ 21,942</u>	<u>\$ 22,162</u>